

PANDA Electronics

www.panda.cn

Nanjing Panda Electronics Company Limited

2018
Annual
Report

(H Share Stock Code: 0 5 5 3)

(A Share Stock Code: 600775)

Contents

SECTION I	DEFINITIONS	2
SECTION II	COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS.	5
SECTION III	AN OVERVIEW OF COMPANY'S BUSINESS	11
SECTION IV	DISCUSSION AND ANALYSIS OF THE OPERATION	15
SECTION V	SIGNIFICANT EVENTS	63
SECTION VI	CHANGES IN ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS.	98
SECTION VII	PROFILES OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF.	108
SECTION VIII	CORPORATE GOVERNANCE.	124
SECTION IX	FINANCIAL REPORT.	145
SECTION X	DOCUMENTS AVAILABLE FOR INSPECTION.	344

IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee and the directors, supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the contents herein.
2. Mr. Gao Gan, a director of the Company was unable to attend the meeting of the Board held on 28 March 2019 due to other business engagement and appointed Mr. Xia Dechuan, another director of the Company, to attend and vote at the meeting on his behalf.
3. BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors' report for the Company. The Company's financial statements for the year were prepared in accordance with the PRC Accounting Standards for Business Enterprises, and complied with the Hong Kong Companies Ordinance and the disclosure requirements of the Hong Kong Stock Exchange Listing Rules.
4. Mr. Xia Dechuan, the Company representative, Mr. Shen Jianlong, the chief accountant, and Ms. Liu Xianfang, the accounting supervisor (person in charge of accounting matters) of the Company, declared that they confirmed the truthfulness, accuracy and completeness of the financial report contained in this annual report.
5. Proposal for profit distribution or capitalization of capital reserves of the Company for the reporting period as considered by the Board: to distribute a cash dividend of RMB0.80 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2018, with the total cash dividend to be distributed amounting to RMB73,107,082.32, and the balance to be carried forward to next year. The Company would not make any capitalization of capital reserve.
6. Forward looking statements, including future plans and development strategies, contained in this annual report do not constitute a substantive commitment to investors by the Company. Investors are advised to pay attention to investment risks.
7. Neither the Company's controlling shareholder nor any of its related parties have misappropriated the Company's funds for non-operating purposes.
8. The Company did not provide external guarantees in violation of any specified decision-making procedures.
9. Major risk warning: The Company has elaborated the potential risks in this annual report. For their details and the corresponding countermeasures, please refer to the paragraph headed "Potential Risks" under Section IV "Discussion and Analysis of the Operation" in this annual report.

Definitions

I. Definitions

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

Definitions of frequently-used terms

Company/Nanjing Panda	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)
CEC Home Appliances	Nanjing CEC-Panda Home Appliances Co., Ltd. (南京中电熊猫家电有限公司)
Investment Development Company	Nanjing Panda Investment Development Co., Ltd. (南京熊猫投资发展有限公司)
ENC	Nanjing Ericsson Panda Communication Co., Ltd. (南京爱立信熊猫通信有限公司)
BMC	Beijing SE Putian Mobile Communication Co., Ltd. (北京索爱普天移动通信有限公司)
Shenzhen Jinghua	Shenzhen Jinghua Electronics Co., Ltd. (深圳市京华电子股份有限公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息产业有限公司)

Definitions (*Continued*)

Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫电子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京熊猫电子科技发展有限公司)
Huage Plastic	Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京華格電汽塑業有限公司)
China Huarong	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司)
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
CSRC Jiangsu Bureau	Jiangsu Securities Regulatory Bureau of China Securities Regulatory Commission
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Nanjing Panda Electronics Company Limited
Assets Disposal Agreement	The Agreement entered into between the Company, PEGL and Investment Development Company on 21 September 2017 in relation to the disposal of Building 54 at No.301, Zhongshan East Road, Nanjing
AFC	Auto Fare Collection
ACC	AFC Clearing Center
SMT	Surface Mounted Technology, the most commonly used technology and process in the electronics assembly industry
EMS	Electronic Manufacturing Services

Definitions *(Continued)*

MESH	Mesh Network, a multi-hop network and developed from ad hoc network, representing one of the critical technologies to solve the problem known as “The Last Kilometer”
ODM	Original Design Manufacturer
MES system	Manufacturing Execution System, a management system of information based production aiming at execution on plant floors of manufacturers

Company Profile and Major Financial Indicators

I. Company Information

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

II. Contact Persons and Contact Information

	Secretary to the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence address	7 Jingtian Road, Nanjing, the People's Republic of China	7 Jingtian Road, Nanjing, the People's Republic of China
Telephone	(86 25) 8480 1144	(86 25) 8480 1144
Facsimile	(86 25) 8482 0729	(86 25) 8482 0729
Email	dms@panda.cn	dms@panda.cn

III. Basic Information

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

Reference is made to the Announcement in Relation to Change of Registered Address of Nanjing Panda (Lin 2019–013) published by the Company on China Securities Journal, Shanghai Securities News and the website of Shanghai Stock Exchange on 29 March 2019 and on the website of the Hong Kong Stock Exchange on 28 March 2019. The Company proposed to change its registered address to “Panda Tower, No. 301 Zhongshan East Road, Xuanwu District, Nanjing, the People's Republic of China”. The change of registered address involves the amendments to relevant articles of the Articles of Association and is subject to consideration and approval at the general meeting of the Company.

Company Profile and Major Financial Indicators (*Continued*)

IV. Places for Information Disclosure and Inspection

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

V. Information of the Company's Shares

Overview of the Company's shares

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

VI. Other Relevant Information

Domestic auditors of the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Office address	19/F, Block A, China Overseas International Center, Building No. 7, Court No. 5, An Ding Road, Chaoyang District, Beijing, the PRC
	Name of signing accountants	Xu Peimei, Gu Xin
Overseas auditors of the Company	Name	N/A
	Office address	N/A
	Name of signing accountants	N/A
Long-term domestic legal advisers	Name	Grandall Law Firm (Nanjing)
	Office address	7th-8th Floor, Building B, No.309 Hanzhong Gate Avenue, Nanjing
Long-term overseas legal advisers	Name	Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors
	Office address	23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Queensway, Hong Kong

Company Profile and Major Financial Indicators (Continued)

VI. Other Relevant Information (continued)

Share Registrars and Transfer Office (A shares)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC
Share Registrars and Transfer Office (H shares)	Name	Hong Kong Registrars Limited
	Office address	46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principle Bankers		Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Ping An Bank

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

(I) Principle accounting data

Unit: Yuan Currency: RMB

Principle accounting data	2018	2017	Year-on-year increase/decrease (%)	2016	2015	2014
Operating income	4,500,505,653.14	4,191,928,908.95	7.36	3,702,763,356.54	3,613,482,935.50	3,487,641,068.94
Net profit attributable to shareholders of the Company	161,959,568.48	107,382,077.64	50.83	119,240,512.92	143,836,663.39	153,230,139.40
Net profit attributable to shareholders of the Company after extraordinary items	113,580,264.77	72,409,859.11	56.86	40,497,347.32	109,123,429.37	99,280,829.13
Net cash flow from operating activities	45,563,017.57	157,549,565.01	-71.08	53,146,796.65	108,995,230.11	44,034,013.77

	As of the end of 2018	As of the end of 2017	year-on-year increase/decrease (%)	As of the end of 2016	As of the end of 2015	As of the end of 2014
Net assets attributable to shareholders of the Company	3,468,424,299.40	3,363,593,136.77	3.12	3,320,270,553.39	3,263,279,379.67	3,178,952,959.93
Total assets	6,184,619,023.98	5,665,503,486.59	9.16	5,239,976,417.98	4,891,799,403.91	4,624,124,678.17

Company Profile and Major Financial Indicators (*Continued*)

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

(II) Key financial indicators

Key financial indicators	2018	2017	Year-on-year increase/decrease (%)	2016	2015	2014
Basic earnings per share (<i>RMB/share</i>)	0.1772	0.1175	50.81	0.1305	0.1574	0.1667
Diluted earnings per share (<i>RMB/share</i>)	0.1772	0.1175	50.81	0.1305	0.1574	0.1667
Basic earnings per share after extraordinary items (<i>RMB/share</i>)	0.1243	0.0792	56.94	0.0443	0.1194	0.1086
Weighted average return on net assets (%)	4.73	3.20	Increase by 1.53 percentage points	3.67	4.46	4.82
Weighted average return on net assets after extraordinary items (%)	3.32	2.17	Increase by 1.15 percentage points	1.25	3.39	3.12

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

Increase of net profit attributable to shareholders of the Company and net profit attributable to shareholders of the Company after extraordinary items were mainly due to the increase in revenue from intelligent transportation, safe city and communication equipment, modern service industries and other products with higher gross profit margin.

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

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

Company Profile and Major Financial Indicators (Continued)

IX. Major quarterly accounting data in 2018

Unit: Yuan Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Operating Revenue	1,034,726,458.86	958,903,310.88	1,096,004,866.94	1,410,871,016.46
Net profit attributable to shareholders of the Company	26,492,533.22	24,526,927.49	30,208,821.40	80,731,286.37
Net profit attributable to shareholders of the Company after extraordinary items	20,346,101.44	21,893,436.51	24,748,030.37	46,592,696.45
Net cash flows from operating activities	-123,298,866.81	-9,439,310.34	2,426,991.61	175,874,203.11

Explanation on difference between quarterly data and data disclosed in regular reports: N/A

X. Extraordinary items and amounts

Unit: Yuan Currency: RMB

Extraordinary items	Amount for 2018	Amount for 2017	Amount for 2016
Gains and losses from disposal of non-current assets	-1,065,209.62	-158,158.23	-1,563,807.88
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) included in gains and losses for the period	3,090,100.00	7,508,662.35	50,281,786.59
Gains and losses from entrusted investment		16,441,470.67	13,225,725.95
Investment income arising from gain or loss resulted from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except those arising from the effective hedging activities related to the Company's normal operation.	16,213,159.50		

Company Profile and Major Financial Indicators (*Continued*)

X. Extraordinary items and amounts (continued)

Extraordinary items	Amount for 2018	Amount for 2017	Amount for 2016
Reversal of impairment provision for receivables subject to individual impairment test		10,928,999.33	12,780,323.64
Reversal of impairment provision for receivables and contract assets subject to individual impairment test	5,298,868.58	/	/
Other non-operating income and expenses other than the aforesaid items	28,603,080.39	2,962,795.75	13,438,076.41
Affected minority interests	-613,214.04	-1,795,913.82	-2,460,045.53
Affected income tax amount	-3,147,481.10	-915,637.52	-6,958,893.58
Total	48,379,303.71	34,972,218.53	78,743,165.60

Note: the decrease in government grants included 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 was mainly due to the decrease in government grants recognized in the period according to accounting standard; the increase in other non-operating income and expenses other than the aforesaid items was mainly due to the write-off of the unpayables during the period.

XI. Items measured at fair value

Unit: Yuan Currency: RMB

Names	Opening balance	Closing balance	Changes in current period	Amounts that affect the profit of the current period
Financial assets held for trading		360,000,000.00	360,000,000.00	
Other investments in equity instruments		3,905,351.83	3,905,351.83	
Total		363,905,351.83	363,905,351.83	

An Overview of Company's Business

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

(I) Principal activities

The Company takes smart manufacturing, smart city and electronic manufacturing services as main business. The Company focuses on smart manufacturing core equipment and smart factory system integration businesses in the smart manufacturing field; it focuses on four core smart city businesses, namely, smart transportation, safe city, smart building and information network equipment in the smart cities field; and focuses on electronic manufacturing services business which has first rate supply chain management skill 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 continues to promote 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.

Based on the position of the principal business of the Company in the industrial chain, the operating model of the Company is product research and development, professional manufacturing services and system integrated solution provider. Based on the scope of business, the Company develops intelligent manufacturing, smart city and electronic manufacturing service.

(III) Industry overview

In 2018, facing complicated domestic and overseas situation, China's electronic information industry, following the requirements on high quality development, sped up in structural adjustment, transformation and upgrading, achieved progresses while maintaining stable operation on the whole. It maintained the leading position in the industry in terms of production and investment and stable growth in exports, which further consolidated its supporting and leading role in the economic and social development. In 2018, the added value of electronic information manufacturing industries above designated size increased by 13.1% year-on-year, whose growth rate was faster than that of all above-scale industries by 6.9 percentage points. Export delivery value increased by 9.8% year-on-year, representing a decline of 4.4 percentage points compared to the growth in 2017.

An Overview of Company's Business (Continued)

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

(III) Industry overview (continued)

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. Due to the synergy of the rising labor costs and the increasingly higher automatic technologies in recent years, the global smart equipment manufacturing industry witnesses rapid development. Smart manufacturing has become the competition focus of manufacturing powers in the world. With the acceleration in the innovation and application of technologies, it has advanced from breakthroughs in multi sectors to system integration. Multinationals continued to make inputs in smart manufacturing and smart equipment are applied in wider ranges. In 2018, the China industrial robot market has more than 140,000 sets of robots, and the entire smart manufacturing market hits a trillion sets. After terminating the technological monopoly of foreign enterprises on high generation LCD panels and glass production line transmission systems in the smart manufacturing field, the Company has the ability to undertake equipment system of new display production line. The Company also actively innovated and developed military-civil integration businesses and successfully won the bidding for a new smart plant construction project. 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. It completed the construction of various glass production lines and liquid crystal display panel production projects with high quality and sold over 6,500 electromechanical equipment and over 650 industrial robots during the year.

China's urban rail transit construction has entered into a golden period of development. Under the guidance and support of China's macroeconomic policies, the total mileage of China's rail transit in operation is expected to reach 12,419 kilometers by 2020. The mileage of metro systems in operation is expected to exceed 8,000 kilometers with an average of over 1,000 kilometers to be completed each year. Urban metro construction will keep prosperity in following years. 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. In 2018, the Company won the bidding for eight projects in terms of rail transit businesses, including Nanjing Metro Line 7 and Chengdu Metro Line 5. Its rail transit AFC system integration and other businesses account for the largest share in the domestic market.

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. Besides the production of ancillary T-CON panels for the flat-panel display industry of NEIC, the Company also vigorously explored external markets. It has passed the examinations on the factory by many vehicle manufacturers, white household appliances enterprises and other emerging customers and has initiated partial trial production.

An Overview of Company's Business (Continued)

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

As at 31 December 2018, total assets of the Company was RMB6,184,619,000, total liabilities of the Company was RMB2,492,470,700 and asset-liability ratio of the Company was 40.31%. Compared with those of 31 December 2017, total assets represent an increase of 9.16%, asset-liability ratio increased by 3.35 percentage points. Overall, these figures remained stable without any material change, of which the overseas assets amounted to RMB156,732,800, representing 2.53% of total assets. During the reporting period, according to the Assets Disposal Agreement, the Company conducted the exchange of non-monetary assets as scheduled, which resulted in significant change in held-for-sale assets and construction in progress; moreover, the Company adjusted relevant items pursuant to the new accounting standards; for the details of the changes, please refer to the Section IV "Analysis of assets and liabilities" in this report. Save as the aforesaid, there were no substantial changes in major assets of the Company.

III. Analysis of core competitiveness during the Reporting Period

Upholding the guideline of "independent innovation, high-end pursuit, development through transformation", the Company actively promoted scientific and technological innovation, constantly adjusted its product structure, focused on superior resources and achieved key breakthroughs. As a result, the scientific and technological capabilities of the Company have been remarkably enhanced. The Company made great efforts to push forward the intellectual property rights strategy, which increased the proportion of basic patents and core patents. Focusing on industries of intelligent manufacturing equipment, smart city, electronic manufacturing service and other sectors, the Company aims to build itself into a nationally leading and internationally renowned electronic information enterprise.

In terms of intelligent manufacturing, the Company completed the research and development of the new type controller, the 0.6-meter high-precision and 165kg general industrial robots, intelligent assembly system in LCD plants, lithium-ion battery cathode material manufacturing system, management platform for industrial robot operation and maintenance, and the military-civilian integrated intelligent manufacturing MES system. 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.

An Overview of Company's Business (Continued)

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

In respect of smart urban rail transit, the Company rolled out the cloud platform-based mobile payment system and thereby completed the upgrade and renovation for the mobile payment system of Nanjing Metro. Such system was developed by the Company completely, and carried a distributed framework in an innovated manner, which effectuated the precedent of joint code sending made by a metro company in coordination with a third-party payment company and completed software iteration for over 30 times. In addition to Alipay, the system will also adopt WeChat Pay, Suning Pay and other payment methods to provide the citizens with more convenient travelling experience. The "Panda Yihaotong" technology has passed the test on the main track of Hefei Metro and its utilization in 17 projects including the Xuzhou Metro Line 2, Suzhou Metro Line 5, Tianjin Metro Line 1 and Chengdu Metro Line 17 has also got underway in an orderly manner as planned. In 2018, in terms of the rail transit business, the Company won the bid for 12 lines in 8 projects in Nanjing, Hefei, Chengdu and other places with contract amount of over RMB1.4 billion. In particular, the Company secured the bid for the Nanjing Metro rail transit network command center (NCC) project, which developed new business for the Company in the rail transit segment. According to the 2018 Development Report on China City Rail Transit Market (《2018年中國城市軌道交通市場發展報告》) published at www.chinametro.net (中國軌道交通網), the Company ranked first in respect of the market share of the AFC system integration business and ranked six in respect of the market share of communication system services in China. 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.

With regard to smart city and safe city, 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. In 2018, the Company developed the standard time and frequency equipment for ship, open-space broadband data transmission and broadband Ad-Hoc communication systems and the reader "Yihaotong" available for all kinds of networks. The emergency broadcasting system recently developed by the Company has been put into application in several cities.

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

Discussion and Analysis of the Operation

I. Discussion and analysis of the operation

2018 was the outset year of the Company for reform and innovation and striving for high-quality development. Over the year, in light of its own actual condition and the changes in external environment, the Company furthered the structural reform and system innovation, carried forward the transformation and upgrade, deepened the implementation of development plan, formulated detailed route diagram and promoted the same steadily, implemented lean management thoroughly and further practiced quality improvement and efficiency enhancement. As a result, operation indicators and key working tasks assigned by the Board were accomplished in a satisfactory manner, each work concerning the business development turned out with impressive performance and steady development momentum was well maintained.

In 2018, the Company recorded better performance and results. According to the Accounting Standards for Business Enterprises of the PRC, the Company's operating income for 2018 amounted to RMB4,500,505,700, with a total profit of RMB251,004,300 and a net profit of RMB212,534,100.

In 2018, the Company proactively planned for industrial development. Based on the "13th Five-Year Plan" overall planning for industrial layout of the Company and taking into account the features of each business sector, the Company worked out the "intelligent manufacturing special planning proposal and phase-wise plans during the 13th Five-Year period (《十三五智能製造專項規劃方案和分解計劃》)", Special Plan for Civil Equipment Industry of Panda (《熊貓民用裝備產業專項規劃》), the Three-Year Development Program of Panda Communication (《熊貓通信三年發展規劃》) and the Three-Year Development Program of the Broadcast and Television Business Department (《廣電事業部三年發展規劃》), which set out clearer description on the specific development orientation, target and guarantee measures. Throughout the year, the Company made applications for 101 patents including 53 patents for invention; and obtained license for 87 patents including 18 patents for invention. In course of preliminary arrangements for new product categories, the Company applied for and registered 36 new trademarks including the "Panda Yihaotong" and "Panda Robot", completed at least 15 counterfeit cases and coped with at least 21 cases concerning trademark dispute and invalid declaration, thereby safeguarding the lawful rights and interests of the Company. The Company continued to enhance the system certification management, proactively met up with new national standards and organized on-site external review over the safety management systems in regard of quality, environment and occupational health for the Company and six subordinate units, which facilitated the successful upgrade of the three major management systems.

Discussion and Analysis of the Operation (Continued)

I. Discussion and analysis of the operation (Continued)

In 2018, the Company continued to improve its R&D standard and increase R&D input. Throughout the year, the Company had R&D expenses of RMB235,646,500, representing an increase of approximately 15%. It completed accreditation for 17 provincial technological achievements and acceptance for 8 national projects. The “key technological project of urban rail transit LTE application hosting multiple services (城市軌道交通LTE多業務承載應用關鍵技術項目)” was awarded the “2018 Pangu Award for Innovation Achievements (Innovative Technology Category) in China Information Technology Industry (2018年度中國電子信息行業創新成果(創新技術類)盤古獎)” by China Information Technology Industry Federation; the Development and Industrialization of Ultra-HD Dynamic Backlight Space-Time Color Display Module Controller (超高清動態背光時空混色顯示模塊控制器的研發及產業化)” won the second prize for scientific and technological progress in Nanjing; the “Application of the All-Purpose Card in the Metro AFC Systems of the Communications Department (交通部一卡通在地鐵AFC系統中的應用)” and the “the installation System for the G6 LCD Glass Substrate Production Line (G6液晶玻璃基板綫生產綫裝備系統)” were awarded the third prize for scientific and technological progress in Nanjing; the “development and industrialization of the composite materials for outer covers of RF cables and products thereof (射頻天綫外罩類複合材料及產品的研發及產業化)” and “development and industrialization of ultra-HD large-size timing control module (超高清大尺寸時序控制模組的研發及產業化)” won the third prize issued by Chinese Institute of Electronics; and the “Key Technology and Intelligent Manufacturing of the New-generation Eco-friendly Flame Retardant Engineering Plastics (新一代環境友好型阻燃工程塑料的關鍵技術及智能製造)” won the third prize for scientific and technological progress in respect of China’s civilian products in 2018.

In 2018, the Company earnestly pushed for the enhancement of quality and efficiency. Firstly, it fully deepened the lean management and accelerated the construction progress of the internal ERP of the Company. Secondly, it continued to reinforce governance of accounts receivable and inventory and strived to control the scale of accounts receivable and inventory. Thirdly, it fully capitalized on the advantageous capacity of a listed company in financing and guarantee to optimize the allocation of resources, balance the liquidity of funds, level up utilization efficiency and arrange and regulate the utilization of internal sources of the Company so as to ensure the normal capital needs of the production and operation units. In addition, it also revitalized the idle funds through risk-free wealth management. In order to further enhance the internal control and management of capital risks, the Company revised and improved the capital management systems, optimized the working process concerning capital authority, approval, review, verification, etc., and intensified the review and check by the finance department, having thus formed a powerful internal check and balance. The Company’s “establishment and implementation of the industrial coordination systems for intelligent manufacturing by electronic information enterprises (電子信息企業智能製造產業協同體系的構建與實施)” was accredited with the “Second Prize for 2018 Business Management Innovation Achievements of National Defense Science and Technology Industry (2018年度國防科技工業企業管理創新成果二等獎)” by the Association of National Defense Industrial Enterprises of China.

Discussion and Analysis of the Operation (Continued)

I. Discussion and analysis of the operation (Continued)

In 2018, the Company actively expanded the external market and strengthened brand promotion. It developed the military-civilian integrated business in an innovated manner and set new record in respect of the successful bid for the rail transit business. According to the 2018 Development Report on China City Rail Transit Market (《2018年中國城市軌道交通市場發展報告》) published at www.Chinametro.net (中國軌道交通網), the Company ranked first in respect of the market share of the AFC system integration business and ranked six in respect of the market share of communication system services in China. Intelligent building business grew progressively and income from the new energy market also hit historic high. The Company successfully built presence in and sold products to Angola and Kenya. The Company attended major renowned exhibitions such as China Content Broadcasting Network, China Smart City International Expo, China International Software Expo, the SR Show (上海機器人展), Hong Kong Electronics Fair (香港電子展) and the World Intelligent Manufacturing Summit in Nanjing, and exhibited its products thereat. It also successfully organized a number of state-level competitions with significant influence in the industry as represented by the “Panda Cup” national welding robot operation game (“熊貓杯”全國焊接機器人操作競賽). The “Panda” brand was classified into the “Internationally Renowned Brand Emphatically Supported and Developed in Jiangsu Province (江蘇省重點支持和發展的國際知名品牌)” by the Department of Commerce of Jiangsu Province.

In 2018, the Company continued to enhance law abidance and compliance. The Company went through various working procedures in a lawful and compliance manner in strict accordance with relevant requirements. Pursuant to the deployment requirements of the SASAC of the State Council and the superior competent departments, the Company formulated and published the Temporary Provisions on Principal Responsible Person in Implementing and Promoting Legal Governance for Chief Officers of Enterprises (企業主要負責人履行推進法治建設第一責任人暫行規定) to specify duties of the leadership and put into practice main responsibilities. In accordance with the guiding principle from the documents of the central government on promoting the engagement of corporate counsel by enterprises, the Company registered for corporate counsel upon approval by the Department of Justice of Jiangsu Province and thus further improve the professional level of the legal governance work of the Company. The Company was rated as an “Advance Collective in the Middle of the ‘7th Five-Year’ Period for Law Promotion of Jiangsu Province (江蘇省七五普法中期先進集體)” by Industry and Information Technology Department of Jiangsu, State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government and other competent authorities.

Discussion and Analysis of the Operation (Continued)

I. Discussion and analysis of the operation (Continued)

In 2018, the Company strengthened the building of talent team. Throughout the year, the Company organized 363 training courses in different forms, thereby completing training for 183 newly recruited graduates, for 37 newly appointed middle-level managers and for 220 executive and managerial staff. Strengthening its efforts in conferring of professional titles and appraisal of technical personnel, the senior professional title was conferred on 1 person during the year. The Company did well in selecting and recommending talented person of great ability, which made for 1 Young and Middle-aged Expert with Outstanding Contributions in Jiangsu Province (評江蘇省有突出貢獻中青年專家), 1 chosen as a trainee of the “333 Intellectual Program (三三三人才工程)” of Jiangsu Province, 1 awarded with “5.1” Labor Medal of Jiangsu Province, 1 with 2018 Scientific and Technological Talent Award (Civilian Category) of CEC, 2 for “Jiangsu Craftsmen (江蘇工匠)”, 2 for “Chief Technicians of Jiangsu Province (江蘇省首席技師)” and 2 as foremen of Technical Expert Workshop in Jiangsu (江蘇省技能大師工作室領辦人) throughout the year. In addition, the Company was honored with the “Cradle of Highly Skilled Talents (高技能人才搖籃獎)” by the provincial government of Jiangsu. Emphasis on well-known colleges and universities, during the year, the Company organized or attended briefing sessions and large recruitment fairs specially launched in colleges and universities for over 30 times, and recruited 189 employees therefrom including 38 persons with master degrees or above and 99 persons with bachelor degrees. The Company initiated an innovated talent recruitment model and drew in high-caliber and leading personnel in the power supply industry by way of project cooperation. The employee remuneration system and wage growth mechanism were improved and the payroll for the entire staff increased by 9.7%. According to relevant laws and regulations and in light of the actual condition, the Company formulated the Implementing Rules for Corporate Annuity Scheme (《企業年金計劃實施細則》) and officially issued and implemented the same in May 2018.

In 2018, the Company implemented its social responsibility effectively. Attaching great importance to safety and environmental protection, the Company entered into production safety responsibility forms with all production and operation units to assign annual key tasks on safety and environmental protection to the subordinate business enterprises and strive for full coverage of the responsibility of safety and environmental protection by preliminary arrangements at the beginning of the year, inspections in the middle of the year and summary at the end of the year. Throughout the year, the Company carried out 58 production safety inspections, and organized production safety training for nearly 2,000 persons and 4 production safety thematic seminars to reinforce promotion on production safety. The Company undertook 12 checks on the environmental protection work during the year, and issued the Notice on Enhancing Management of Environmental Protection (《關於加強環境保護管理的通知》) and the Notice on Enhancing Management of Hazardous Wastes (《關於加強危險廢物管理的通知》) directed at the problems identified in the checks, which lifted the environmental protection work of the Company up to a new level. Holiday greeting, special support, caring aid and other activities were carried out actively and more than RMB1.2 million was contributed as consolation payment, educational aiding funds, caring assistance, etc. In accordance with relevant requirements of the CSRC and the Hong Kong Stock Exchange, the Company also systematically sorted through and summarized the Company’s strategic plans, corporate governance, risk control and compliance, intellectual properties, management innovations and assumption of social responsibility and prepared a social responsibility report accordingly, which was published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period

In 2018, the Company paid close attention to the changes in development trends in the industry segments in which it carries out its principal operations and actively explored markets, so that our principal operations maintained rapid momentum of development. The Company advanced lean management with quality and efficiency enhancement as the core and strengthened investment management with the orientation of development strategies. The Company strengthened risk management and control with the governance on accounts receivable and inventory as the core and maintained stable corporate governance and operation. The Company cautiously promoted each investment in accordance with the capital expenditure budget and actual operating conditions. However, the performance of the joint ventures continued to decline in recent years due to various factors, which had certain impacts on the Company's investment income. The Company strived to mobilize relevant resources, and strengthened management and coordination to support the development of its joint ventures with all-out effort.

(I) Analysis of principal operations

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

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the same period last year	Change (%)
Operating income	4,500,505,653.14	4,191,928,908.95	7.36
Costs of sales	3,777,408,587.41	3,595,891,091.43	5.05
Selling expenses	56,473,519.57	56,106,658.38	0.65
Administrative expenses	249,028,876.39	217,477,918.64	14.51
R&D expenses	221,663,740.72	205,100,860.95	8.08
Financial expenses	6,575,438.13	-5,138,469.04	N/A
Net cash flows from operating activities	45,563,017.57	157,549,565.01	-71.08
Net cash flows from investment activities	81,068,704.67	-173,171,773.17	N/A
Net cash flows from financing activities	-22,316,731.08	66,600,876.99	-133.51
Interest expenses	3,958,244.31	1,597,287.02	147.81
Assets impairment loss	2,209,826.72	16,134,214.69	-86.30
Credit impairment loss	13,430,024.78		N/A
Other income	2,308,119.25	4,301,606.40	-46.34
Investment income	62,899,018.84	90,442,743.59	-30.45
Gain from the disposal of assets	-1,178,977.14	-669,559.13	N/A
Non-operating income	37,568,414.64	11,159,641.38	236.65
Non-operating expenses	3,707,714.25	688,183.28	438.77

Notes:

Increase of financial expenses: mainly due to the year-on-year increase in exchange losses during the period resulting from changes in RMB exchange rate;

Decrease of net cash flow from operating activities: mainly due to the payment for purchases of commodities for the period;

Discussion and Analysis of the Operation (*Continued*)

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

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

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

Notes: (Continued)

Increase of net cash flow from investment activities was mainly due to the recovery of the principal of bank wealth management products that had not yet expired at the end of the previous period;

Decrease of net cash flow from financing activities was mainly due to the year-on-year decreased in the cash from discounted notes for the period;

Increase of interest expenses: mainly due to the year-on-year increase in interest expenses as a result of the increase in short-term bank borrowings;

Decrease of assets impairment loss: mainly due to the adjustment of impairment loss of financial assets to credit impairment loss based on new standards for financial instruments;

Increase of credit impairment loss: mainly due to the adjustment of impairment loss of financial assets to credit impairment loss based on new standards for financial instruments;

Decrease of other income: mainly due to the decrease in government subsidy on operation recognized during the period;

Decrease of investment income: mainly due to the year-on-year decrease in investment income from associates under the equity method;

Increase of non-operating income: mainly due to the write-off of unpayables during the period.

Increase of non-operating expenses: mainly due to the provision for estimated liabilities as a result of litigations during the period.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost

During the reporting period, the Company's operating income and operating cost increased by 7.36% and 5.05% respectively over the previous period. The increases in the overall operating cost and the operating cost of relevant products and services in major industries were basically in line with those in operating income, and the overall gross profit margin of the Company's business and relevant products and services in major industries remained stable.

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

Unit: 0'000 Yuan Currency: RMB

By sector	Principal operations by business sector					
	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Smart manufacturing	101,631.91	87,412.89	13.99	25.71	24.79	Increased by 0.63 percentage point
Smart city	186,481.37	154,719.38	17.03	-0.39	-3.31	Increased by 2.5 percentage points
Electronic manufacturing services	157,524.72	132,911.46	15.63	10.36	9.34	Increased by 0.78 percentage point
Others	2,642.12	1,668.60	36.85	29.68	-19.15	Increased by 38.14 percentage points

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)

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

Principal operations by product

Unit: 0'000 Yuan Currency: RMB

By product	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income from the same period last year (%)	Increase/ decrease in operating cost from the same period last year (%)	Increase/ decrease in gross profit margin from the same period last year (%)
Industrial robots	2,738.56	2,135.19	22.03	-37.06	-46.28	Increased by 13.38 percentage points
Intelligent factories and systems	88,122.88	74,577.16	15.37	37.59	36.74	Increased by 0.53 percentage point
Core components of smart manufacturing	10,770.48	10,700.55	0.65	-13.48	-7.21	Decreased by 6.71 percentage points
Intelligent transportation	47,446.82	34,760.65	26.74	20.32	12.46	Increased by 5.13 percentage points
Intelligent buildings	60,247.69	55,514.37	7.86	5.80	4.52	Increased by 1.13 percentage points
Safe city and communication equipment	8,570.19	4,082.30	52.37	4.35	11.05	Decreased by 2.87 percentage points
Information network equipment and consumer electronic products	70,216.67	60,362.05	14.03	-15.02	-16.52	Increased by 1.54 percentage points
Electronic manufacturing services	138,278.01	122,689.95	11.27	10.47	9.74	Increased by 0.59 percentage point
Modern service industry	19,246.72	10,221.51	46.89	9.57	4.84	Increased by 2.4 percentage points
Others	2,642.12	1,668.60	36.85	29.68	-19.15	Increased by 38.14 percentage points

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)

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

Principal operations by geographical regions

Unit: 0'000 Yuan Currency: RMB

By geographical regions	Operating income	Operating cost	Gross profit margin (%)	Increase/ decrease in operating income from the same period last year (%)	Increase/ decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Nanjing	376,773.89	321,616.08	14.64	12.14	10.06	Increased by 1.61 percentage points
Shenzhen	71,506.24	55,096.25	22.95	-6.95	-10.36	Increased by 2.93 percentage points

Principal operations by business sector, product and geographical regions:

The Company's principal subsidiaries are all in smart manufacturing, intelligent transportation, intelligent buildings, electronic manufacturing services and related industries. The operating revenue from smart manufacturing increased by 25.71% over the same period of last year as a result of the peak time for installation and delivery of projects. The operating income from electronic manufacturing services increased by 10.36% over the same period of the previous year due to the increase in business volume of major customers.

The operating income from the smart factories and system engineering products increased by 37.59% over the same period of the previous year as a result of the peak time for delivery. The operating income from intelligent transportation increased by 20.32% over the same period of last year as more railway traffic projects were completed by the Company.

The principal operations of the Company was primarily distributed in Nanjing and Shenzhen. During the reporting period, the operating income in Nanjing recorded an increase of 12.14% compared with the same period of last year due to the growth of smart manufacturing, intelligent transportation and electronic manufacturing services businesses, while the operating revenue in Shenzhen recorded a decrease of 6.95% compared with the same period of last year due to decreased business volume caused by fierce competition in the consumer electronics export market.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

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

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

Principal products	Production output	Sales volume	Stock	Increase/decrease in production output from the same period last year (%)	Increase/decrease in sales volume from the same period last year (%)	Increase/decrease in stock from the same period last year (%)
Surface mounting (10 thousand points)	127,224.26	127,224.26		12.34	12.34	
Set-top boxes	200,806.00	396,691.00	5,659.00	-62.26	-20.39	-97.19
Automatic ticket vending machine	843.00	825.00	80.00	44.60	40.55	29.03
Automatic fare collection machine	1,035.00	1,231.00	162.00	-65.55	-57.86	-54.75
Tablet computer	950,107.00	962,999.00	18,868.00	-34.33	-34.42	-40.59
Voice recorder	391,927.00	357,137.00	50,450.00	8.49	-5.38	222.16
Smart phone	-	32,615.00	-	-100.00	858.14	-100.00
Automobile data recorder	315,105.00	306,241.00	19,153.00	34.14	33.18	86.15

Explanation on the volume of production and sales:

During the reporting period, the Company recorded significant decreases in the production, sales and inventory of set-top boxes as compared with the same period last year attributable to the decreased orders. For the automatic ticket vending machines, the Company recorded an increase in the production and sales volume as compared with the same period last year during the period due to the increased orders brought about by the east-ward extension project of the Metro Line 1 of Tianjin and other projects. For the automatic fare collection machines, the Company recorded significant decreases in the production and sales volume as compared with the same period last year attributable to decreased orders. For tablet computers, the Company recorded decreases in the production and sales volume as compared with the same period last year due to declining market share. For the smart phones, the Company have stopped its production due to the market pressure from big brands. For automobile data recorders, the Company recorded significant increases in production, sales and inventory as compared with the same period last year attributable to rising export volume.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)

(3) Cost analysis

Unit: 0'000 Yuan Currency: RMB

By sector	Composition of cost	Amount for the period	By sector		Amount for the same period last year	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
			As a percentage of total cost for the period (%)	percentage of total cost (%)			
Smart manufacturing	Material cost	72,600.28	83.05	58,284.83	83.21	24.56	
	Labor cost	2,934.27	3.36	3,643.11	5.20	-19.46	
	Manufacturing costs	11,878.35	13.59	8,118.42	11.59	46.31	
Smart city	Material cost	136,473.04	88.21	145,566.99	90.97	-6.25	
	Labor cost	12,194.04	7.88	9,673.07	6.05	26.06	
	Manufacturing costs	6,052.29	3.91	4,773.23	2.98	26.80	
Electronic manufacturing services	Material cost	95,745.72	72.04	84,181.89	69.26	13.74	
	Labor cost	7,532.87	5.67	9,624.99	7.92	-21.74	
	Manufacturing costs	29,632.86	22.30	27,746.14	22.83	6.80	
Others	Material cost	283.18	16.97	449.32	21.77	-36.98	
	Labor cost	198.96	11.92	92.82	4.50	114.36	
	Other expenses	1,186.46	71.11	1,521.60	73.73	-22.03	

By product	Composition of cost	Amount for the period	By product		Amount for the same period last year	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
			As a percentage of total cost for the period (%)	percentage of total cost (%)			
Industrial robots	Material cost	2,052.88	96.15	3,643.81	91.68	-43.66	
	Labor cost	21.30	1.00	61.71	1.55	-65.48	
	Manufacturing costs	61.01	2.86	269.07	6.77	-77.32	

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)

(3) Cost analysis (Continued)

Unit: 0'000 Yuan Currency: RMB

By product	Composition of cost	Amount for the period	By product		Amount for the same period last year as a percentage of total cost (%)	Change in the amount for the period as compared with that of the same period last year (%)	Explanation
			As a percentage of total cost for the period (%)	Amount for the same period last year			
Intelligent factories and systems	Material cost	66,546.33	89.23	49,842.71	91.39	33.51	
	Labor cost	972.75	1.30	942.80	1.73	3.18	
	Manufacturing costs	7,058.08	9.46	3,754.45	6.88	87.99	
Core components of smart manufacturing	Material cost	4,647.02	43.43	5,525.51	47.92	-15.90	
	Labor cost	1,731.49	16.18	2,329.37	20.20	-25.67	
	Manufacturing costs	4,322.04	40.39	3,676.94	31.89	17.54	
Intelligent transportation	Material cost	33,111.26	95.26	29,501.21	95.44	12.24	
	Labor cost	800.92	2.30	141.73	0.46	465.08	
	Manufacturing costs	848.47	2.44	1,267.28	4.10	-33.05	
Intelligent buildings	Material cost	45,564.04	82.08	43,595.57	82.08	4.52	
	Labor cost	9,598.52	17.29	9,183.84	17.29	4.52	
	Manufacturing costs	351.81	0.63	336.61	0.63	4.52	
Safe city and communication equipment	Material cost	3,867.39	94.74	3,483.36	94.76	11.02	
	Labor cost	-	-	-	-	-	
	Manufacturing costs	214.91	5.26	192.75	5.24	11.50	
Information network equipment and consumer electronic products	Material cost	53,561.57	88.73	68,518.30	94.76	-21.83	
	Labor cost	2,254.39	3.73	939.68	1.30	139.91	
	Manufacturing costs	4,546.09	7.53	2,852.96	3.95	59.35	
Electronic manufacturing services	Material cost	94,725.40	77.21	84,767.56	75.82	11.75	
	Labor cost	5,265.34	4.29	4,850.96	4.34	8.54	
	Other expenses	22,699.20	18.50	22,184.75	19.84	2.32	
Modern service industry	Material cost	2,625.46	25.69	1,214.37	12.46	116.20	
	Labor cost	1,840.29	18.00	3,792.14	38.89	-51.47	
	Other expenses	5,755.76	56.31	4,743.24	48.65	21.35	
Others	Material cost	283.18	16.97	449.32	21.77	-36.98	
	Labor cost	198.96	11.92	92.82	4.50	114.36	
	Other expenses	1,186.46	71.11	1,521.60	73.73	-22.03	

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

2. Analysis on revenue and cost (Continued)

(3) Cost analysis (Continued)

Explanation on the cost analysis:

During the reporting period, the material cost, labor cost and manufacturing cost (other expenses) accounted for 80.99%, 6.07% and 12.94% of the cost of the principal operations of the Company, respectively, reflecting no material change in the cost structure as compared with the same period last year.

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

During the reporting period, sales to the top five customers amounted to RMB1,538,466,600, representing 34.18% of the total sales in 2018, of which sales to connected parties amounted to RMB1,273,615,500, representing 28.30% of the total sales in 2018.

During the reporting period, the aggregate amount of purchase from the top five suppliers of the Company amounted to RMB499,188,600, accounting for 13.69% of the total amount of purchase made by the Company in 2018. There were no connected parties in the top five suppliers.

3. Expenses

During the reporting period, the cost of sales, administrative expenses, and financial expenses of the Company have generally remained stable. The administrative expenses increased by RMB31,551,000 over the same period of the previous year, representing an increase of 14.51%, mainly due to the increase in payroll and other related expenses in the period.

4. R&D expenses

Particulars of R&D expenses

Unit: Yuan Currency: RMB

R&D expenses for the period	221,663,740.72
Capitalized R&D expenses for the period	13,982,760.93
Total R&D expenses	235,646,501.65
The percentage of total R&D expenses over operating income (%)	5.24
The number of R&D personnel	710
The percentage of R&D personnel over total number of staff of the Company (%)	20.25
The percentage of capitalized R&D expenses (%)	5.93

Discussion and Analysis of the Operation (*Continued*)

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

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

4. R&D expenses (*Continued*)

Description:

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

In 2018, the Company steadily promoted research and innovation in the areas of industrial robots, smart manufacturing, intelligent transportation, smart buildings, safe cities, communications equipment, information network equipment and consumer electronics. Technical breakthroughs have been made in the measurement of the track precision and repeatability of industrial robots, the vibration reduction and control in the transportation of liquid crystal glass substrates and the positioning display with broadband frequency spectrum signals with geographic information analysis technology. The Company focused on input for and output from scientific research and paid attention to the quality and management of research results.

Major subsidiaries of the Company attained admirable scientific research achievements in their respective fields, with smooth progress made in 13 key scientific research projects including the industrial robots operation and maintenance platform of the Electronics Equipment Company, the research and application of the ticketing system based on cloud platforms of the Information Industry Company based on biometric payment and the R&D of smart home and smart community systems of the broadcast and television business department.

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

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(I) Analysis of principal operations (Continued)

5. Cash flow

During the reporting period, the decrease in the net cash flow from operating activities was mainly due to the payment for purchases of commodities for the period; the increase in the net cash flow from investment activities was mainly due to the recovery of the principal of bank wealth management products that had not yet expired at the end of the previous period; the decrease in net cash flow from financing activities was mainly due to the year-on-year decreased in the cash from discounted notes for the period.

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: 0'000 Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period (%)	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Financial assets held for trading	36,000.00	5.82	0.00	-	N/A	Due to the reclassification of the principal of bank wealth management products not yet due at the end of the period according to new standards for financial instruments
Inventory	86,780.87	14.03	59,101.86	10.43	46.83	Mainly due to the increase in inventories of raw materials and work in progress for the period
Contract assets	36,075.37	5.83	0.00	-	N/A	Due to the reclassification of eligible receivables into contract assets according to new revenue standards
Held-for-sale assets	0.00	-	7,838.78	1.38	-100.00	Due to the exchange of non-monetary assets as scheduled according to the Asset Disposal Agreement

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Unit: 0'000 Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period (%)	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Other current assets	3,472.41	0.56	46,541.05	8.21	-92.54	Due to the reclassification of the principal of bank wealth management products not yet due at the end of the period into financial assets held for trading according to new standards for financial instruments
Available-for-sale financial assets	0.00	-	365.00	0.06	-100.00	Due to the reclassification of financial instruments originally accounted as available-for-sale financial assets into other equity instruments investment according to new standards for financial instruments
Other equity instruments investment	390.54	0.06	0.00	-	N/A	Due to the reclassification of financial instruments originally accounted as available-for-sale financial assets into other equity instruments investment according to new standards for financial instruments
Investment properties	1,946.20	0.31	831.45	0.15	134.07	Mainly due to the recognition of investment properties during the period according to relevant accounting standards
Construction in progress	30,480.84	4.93	5,065.99	0.89	501.68	Due to the exchange of non-monetary assets as scheduled according to the Asset Disposal Agreement and the assets exchanged is not yet qualified for reclassification into fixed assets
Long-term deferred expenses	128.97	0.02	360.28	0.06	-64.20	Mainly due to the amortization of long-term deferred expenses on a monthly basis

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Unit: 0'000 Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total assets (%)	Amount at the end of the previous period (%)	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Explanation
Deferred income tax assets	1,261.69	0.20	923.40	0.16	36.63	Mainly due to increase of taxable temporary difference recognized in the period
Short-term loans	9,500.00	1.54	4,500.00	0.79	111.11	Mainly due to the increase in short-term bank borrowings
Receipts in advance	205.17	0.03	24,276.77	4.29	-99.15	Due to the reclassification of eligible receipts in advance into contract liabilities according to new revenue standards
Tax payable	18,538.71	3.00	2,945.08	0.52	529.48	Mainly due to the land appreciation tax payable
Other payables	10,155.42	1.64	15,611.96	2.76	-34.95	Mainly due to decrease in state capital and land-transferring fees
Contract liabilities	22,138.05	3.58	0.00	-	N/A	Due to the reclassification of eligible receipts in advance into contract liabilities according to new revenue standards
Other current liabilities	8,645.65	1.40	2,710.00	0.48	219.03	Mainly due to increase in project subsidy not yet recognized under relevant accounting standards
Estimate liabilities	290.00	0.05	0.00	-	N/A	Mainly due to the amount estimated to be paid for pending litigations
Other comprehensive income	19.15	0.002	0.00	-	N/A	Due to the adjustment of the fair value of other equity instruments investment

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

Discussion and Analysis of the Operation (*Continued*)

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

(IV) Analysis of industry operational information

1. Intelligent manufacturing equipment

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

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

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

1. Intelligent manufacturing equipment (Continued)

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

Currently, China has preliminarily established over 200 digital workshops/intelligent factories, making it the biggest intelligent manufacturing market in the world. It is estimated that the size of the domestic market will reach RMB200 billion by 2020. In the industry of industrial robots, the domestic industrial robot market developed rapidly, accounting for one third of the global market. In the first half of 2018, 150,000 industrial robots were sold in the domestic market. Currently, with the increasing demand for intelligent transformation and upgrading in the production and manufacturing in China, the market demand for industrial robots remains booming. It is estimated that the number of industrial robots in the domestic market will exceed 180,000 and the market size will reach RMB50 billion. Aiming to become an leading enterprise for intelligent manufacturing equipment and robots with international competitiveness, the Company increased the investment in the industrial chain for intelligent manufacturing, cultivated and developed the independent research and development and production capabilities for the solutions as well as core equipment and key components of intelligent manufacturing system, promoted the organic integration of industrial robots, automatic equipment and information system, and completed the construction and renovation of digital and intelligent factories, as a result of which the industry scale and efficiency was improved.

2. Smart urban rail transit

After ten years of exploration, the construction of smart cities in China has entered a new stage. More and more cities with higher efficiency, delicacy and sustainable development are emerging. Statistics show that over 500 cities in China have proposed to initiate or are conducting the construction of smart cities. It is expected that the market size will reach RMB18.7 trillion in 2021.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

2. Smart urban rail transit (Continued)

During the “13th Five-Year Plan” period, China initiates the new type of urbanization. The expansion of current cities intensified the traffic congestion. The National Planning on New Type of Urbanization proposes to significantly increase the sharing ratio of urban rail transit, which will greatly promote the development of urban rail transit. Currently, about 100 cities have proposed plans on the development of urban rail transit. Besides 40 cities with urban rail transit under construction, about 60 cities have initiated the planning, survey, design, consultancy and other preliminary work, most of which are expected to initiate construction during the “13th Five-Year Plan” period. It is estimated that over 80 cities will construct urban rail transit at the same time in the following five years. The total mileage of metro will reach 6,000 kilometers across the country with a total investment of RMB4 trillion.

The Company has maintained the leading advantages in the technologies in the fields of AFC/ACC and special communication system for rail transit, and become a major provider of special equipment and solutions for rail transit in China. The Company has determined to take smart city as the main direction while integrating various technologies such as face recognition and mobile payment, and has completed the construction of typical cases and demonstration projects for intelligent cities and the transformation from a product supplier of a single business to a general contractor of electromechanical system with multi-business collaboration. According to the “Report on the Development of Urban Rail Transit Market in China in 2018” released on the www.chinametro.net, the AFC system integration of the Company ranks the first in terms of the domestic market share and the communication system business ranks the sixth in terms of the domestic market share.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

3. Information communication

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

In 2018, the overall size of China’s information communication industry further expanded, the comprehensive development level was greatly improved, the information infrastructure was evolving towards high velocity, full coverage and intelligence at a higher speed. Currently, the industry is under a new round of communication technology progress. 5G will replace 4G as the grass-root communication technology in the times with everything connected to each other. The number of connections and data are surging while VR/AR, driverless and other application scenarios are increasingly diversified. Only 5G technology can support the application of the Internet of Things with a size of over RMB100 trillion with the required reliability, speed and delays, which will promote the development of the industry with over RMB10 trillion. Various leading applications are implemented recently and the commercial application will be achieved soon. In 2018, the size of China’s ICT market in a broad sense exceeded RMB4.5 trillion.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

3. Information communication (Continued)

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

4. Electronic manufacturing services

The global electronic technology develops quickly with various products emerging. The shorter and shorter cycles for product replacement bring a huge market demand. The global electronic product industry will maintain rapid growth in the next few years, which will directly result in the increase in the EMS business and vigorously promote the development of the EMS industry. In addition, many brand owners are increasing the outsourcing proportion of services in various sectors of the supply chain to deal with the market competition and increase the overall competitiveness of the supply chain. They shift their development focus to responding to the market demand and the adjustment to the product structure and the brand operation, which also brings huge potential to the development of EMS companies. Besides, with the increasingly enhancement of the overall competitiveness of the electronic manufacturing industry in China and the huge demand in the electronic products consumer market, leading electronic brand owners in the world are advancing into China with more and more capacities are transferred to China. It will result in the increase in the EMS business and provide development opportunities for the domestic EMS companies to enter the supply chain of international brand owners.

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

In the electronic manufacturing industry, the Company has, over the years, gradually expanded into professional automatic surface mount, board assembly testing, complete machine manufacturing, ancillary and modified material processing, molding, injection molding, extrusion molding, spray and painting decoration and assembly services. In light of the challenges from the globalization of competition, the Company adopts advanced production technology and ERP, MES and other software systems to develop to the advantages of the complete electronic product industry chain completely and provide customers with perfect systematic solutions.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(IV) Analysis of industry operational information (Continued)

5. Broadcast and television products

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

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

The Company vigorously expanded the broadcast and television business, and followed the directions of the industry, including smart community, smart home, satellite communication, digital audio broadcasting and emergency broadcasting, to strive for development by virtue of the core capabilities, and thus improve the industrial capacity and the profitability. The Company actively explored the market. The Company customized the transmitter products according to the needs of the users and improved the functions to make them smaller with stronger heat dissipation capacity and better three-proof performances and more suitable for outdoor work. At the same time, the Company carried out the research and development of small-power transmitters to expand the product line. In the emergency broadcasting industry in particular, the Company won various bids.

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(V) Analysis of investment

1. Overall analysis of external investment

In 2018, the Company cautiously made investments in fixed assets and relevant projects in a standard way in accordance with the capital expenditure budget and the actual operating conditions.

- (1) Material equity investment: N/A
- (2) Substantial non-equity investment: N/A
- (3) Financial assets measured at fair value: please refer to the "Items Measured at Fair Value" in Section II of this report.

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

(VII) Analysis of major invested companies

1. Analysis of major subsidiaries

In 2018, for the purpose of further optimization of corporate structure, on the premises that relevant operation and business are unaffected, the Company disposed ineffective and low-efficiency assets. Nanjing Guanghua Electronics Plastic Casings Factory (南京光華電子注塑廠) and Nanjing Panda Machinery and Electronics Factory (南京熊貓機電設備廠) (both the controlling subsidiaries of the Company) have completed procedure of business deregistration. The deregistered companies have ceased operations, which have not affected the Company's overall production, operation and performance. The overview of major subsidiaries is set out below:

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Electronics Equipment Company	Manufacturing and sales of automatic transmission equipment and industrial robot	19,000	114,506.08	36,410.42	103,248.15	3,023.30	2,815.05
Information Industry Company	Manufacturing and sales of railway transit AFC and ACC system, equipment, building intellectualization products and system integration	USD3,194.6435	126,561.80	38,949.74	112,898.22	5,640.30	5,577.27
Electronic Manufacture Company	EMS services	USD2,000	102,972.12	43,900.99	139,506.65	6,293.09	6,021.51

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

1. Analysis of major subsidiaries (Continued)

Unit: 0'000 Currency: RMB

Subsidiary	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Communications Technology Company	Manufacture and sales mobile communications, digital communication and network communications systems and products	10,000	22,088.98	16,493.02	9,796.79	1,629.35	1,645.40
Technology Development Company	Manufacture of general purpose equipment, software development, and property management	70,000	67,988.71	61,729.53	2,352.30	-1,712.62	-1,697.62
Shenzhen Jinghua	Research and development, manufacture and sales of communications equipments and digital products	11,507	47,579.48	35,947.38	72,326.22	10,200.02	7,753.49
Nanjing Panda Xinxing Industrial Co., Ltd.	Supply of property management and catering services	2,000	6,731.01	3,958.03	14,550.24	585.31	766.67

Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Currency: RMB

Subsidiary	Net profit		
	2018	2017	Change (%)
Electronics Equipment Company	2,815.05	2,344.08	20.09
Information Industry Company	5,577.27	3,775.07	47.74
Electronic Manufacture Company	6,021.51	4,261.58	41.30
Communications Technology Company	1,645.40	835.89	96.84
Technology Development Company	-1,697.62	-2,536.28	N/A
Shenzhen Jinghua	7,753.49	7,031.72	10.26
Nanjing Panda Xinxing Industrial Co., Ltd.	766.67	357.61	114.39

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

1. Analysis of major subsidiaries (Continued)

Description of changes:

The operating revenue and net profit of Electronics Equipment Company increased by 24.20% and 20.09% year-on-year, respectively, which was mainly due to the increase in revenue following its projects coming to the peak stage of installation works. The operating revenue and net profit of Information Industry Company increased by 8.52% and 47.74% year-on-year, respectively, which was mainly due to the increases in business orders and the number of projects completed. The operating revenue and net profit of Electronic Manufacture Company increased by 6.67% and 41.30% year-on-year, respectively, which was mainly due to the orders secured for new business and the exploitation of new markets.

2. Analysis of major invested companies

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

ENC was set up on 15 September 1992 with a total investment of US\$40.88 million and a registered capital of US\$20.9 million. ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by China Potevio Co., Ltd., and 2% by Yung Shing Enterprise, Hong Kong. ENC mainly engages in production of mobile telecommunication system equipment and network communications system equipment, etc. As the biggest production and supply center of Ericsson in the world, ENC is now mainly in charge of the industrialization and mass production of the products that Ericsson Company Limited developed and provides delivery and shipment to customers worldwide.

Operating income of ENC for 2018 amounted to RMB8,816,970,000, representing a year-on-year increase of 11.82%; net profit amounted to RMB165,489,000, representing a year-on-year decrease of 17.98%. Reason(s) for changes in the main indicators: the growth in income as a result of the increase in orders and the year-on-year decrease in net profit as a result of the exchange rate fluctuation and the increase in payroll related expenses of the Company.

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

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

Discussion and Analysis of the Operation (Continued)

II. Principal operations during the reporting period (Continued)

(VII) Analysis of major invested companies (Continued)

2. Analysis of major invested companies (Continued)

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

Operating income of BMC for 2018 amounted to RMB2,468,282,800 representing a year-on-year decrease of 65.38%; net profit was RMB5,541,600, representing a year-on-year decrease of 93.99%. Reason(s) for changes in the main indicators: Fiercer market competition sent orders plunging, thus operating revenue and net profits fell year-on-year.

At its board meeting held on 28 March 2019, BMC announced that BMC will be going into liquidation.

(3) Investment income from major invested companies

During the reporting period, the Company's investment income amounted to RMB62,899,000. The investment income of major invested companies is as follows:

Unit: 0'000 Currency: RMB

Invested companies	Operating income	Net profit	Shareholding of the Company	Investment income received by the Company
ENC	881,697.00	16,548.90	27%	4,468.20
BMC	246,828.28	554.16	20%	110.83

(VIII) Structured entities controlled by the Company

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

Discussion and Analysis of the Operation (*Continued*)

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

(I) Industrial landscape and trend

In 2018, the digital information industry maintained the consistent trend with the macro economy in China and the internal driver continued to boost the industrial development. Integrated circuit, new display, intelligent manufacturing, smart cities and other industries witnessed significant development. The smart transformation of communication equipment brings growth potential and emerging industries will further boost the development of industries. The electronic information manufacturing information in China is leading the high-quality development under the new era. In 2018, the added value of electronic information manufacturing industries above designated size increased by 13.4% year-on-year. The increase in the exports to other trade partners and the expansion of the domestic consumer market are likely to reduce the impact of the decrease in the exports to the U.S.

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

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

Discussion and Analysis of the Operation *(Continued)*

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

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

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

(II) Development strategies of the Company

1. Development strategies

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

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

2. Changes in the operating model and business pattern, management style and strategic measures

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

- (1) Promote transformation of our business model

The Company will push for the transformation from a supplier merely providing equipment and engineering to a provider of whole products, large system and general operating services in terms of business model; from research and development of terminal products to research and development of core technologies and system equipment; from the traditional manufacture and operation model relying on orders to lean manufacturing based on big data analysis under the intelligent factory model; from sales of single unit/set of or auxiliary hardware products to marketing of software and hardware products as well as comprehensive solutions with our proprietary intellectual properties; from business enterprises fighting alone to cooperative engagement of all subsidiaries by integrating our internal resources and aggregating our overall advantages in terms of operating mode; and from undertaking single project to mainly undertaking system engineering as a general contractor in terms of source of business profits.

- (2) Uphold the "Internet Plus" concept

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

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

2. Changes in the operating model and business pattern, management style and strategic measures (Continued)

(3) Focus on innovation-driven development and further promote transformation and upgrade

The Company will continue to concentrate on the optimization of resource allocation to accelerate the innovation in the operation mechanism and the management and control system, improve the work efficiency and the resource utilization ratio, enhance the capability of capitalized, modern, market-based and scientific operations in respect of integration and restructuring, business management, personnel selection and appointment, etc., and improve the vitality, capability, competitiveness and execution strength of the Company, with the view to explore a new path that is suitable for the development demands of "Panda" and being able to keeping abreast of the times in close compliance with the conditions of the new era and practical requirements.

(4) Deepen the reform in all aspects and further development with fresh drivers

The Company will enhance corporate governance, and further improve the service and management capability of the management of the Company, the investment and integration capacity of the Company and innovation facility and profitability of the business enterprises, thereby setting up a highly efficient and structurally flat corporate management and control system.

(5) Deepen the lean management and further enhance the quality and efficiency

The Company will promote the implementation of lean management in a comprehensive way, rationalize the management system and mechanism through institutionalization, programming, streamlining, standardization and data-orientation, improve the whole process, achieve systematic advancement, ensure that the management duties are specified, clarified and professional, strengthen effective supervision and performance appraisal, and insist on making continuous rectifications to ensure that every link of corporate management is precise, efficient and synergic and promote the Company to reduce costs, improve efficiency and profitability.

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

2. Changes in the operating model and business pattern, management style and strategic measures (Continued)

- (5) Deepen the lean management and further enhance the quality and efficiency (Continued)

The Company will comprehensively carry out intelligent upgrade, aim to build customized manufacturing systems with high quality, high efficiency and a short delivery period, focus on the implementation of the upgrading and renovating projects in the intelligent electronic manufacturing industry to realize the information-based and automatic management during the whole production process, and streamline and re-optimize the whole process including R&D, production, storage and transportation to greatly improve the production efficiency, market share and corporate competitiveness of the Company. The Company will establish a production and management system capable of timely response to and adaptive to the market and the customers so as to shorten product development and production cycle, reduce overstocked raw material inventory and funds and boost the production efficiency, product reliability, market share and corporate competitiveness significantly.

- (6) Strengthen the scientific and technological R&D to further enhance the core competitiveness

The Company will improve the innovation ability for scientific research, increase the investment in technical research to cultivate and improve the independent innovation ability of all types of scientific research centers at all levels, coordinate the scientific research strength of each business enterprise gradually, build an interconnection channel and a coordination and innovation platform, full effort to make breakthroughs in the key common technologies, accelerate the marketization and industrialization of scientific research achievements, and improve the core corporate competitiveness.

- (7) Optimize talent structure and further strengthen the capability of sustained development

With the development and cultivation system for innovative talents as the core and the introduction and training of high-level talents and the talents urgently needed by principal operations as the focal point, the Company will speed up the adjustment of the talent structure, increase the investment in talent guarantee, perfect the talent incentive mechanism, and give full play to the strategic and fundamental role of leading and professional talents, thus providing a strong talent guarantee for the Company's development.

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

2. Changes in the operating model and business pattern, management style and strategic measures (Continued)

- (8) Accelerate market exploration and further enhance the brand influence

The Company will maintain close relationship with major project contractors at home and abroad and strive to become their partners or specialized suppliers. The Company will positively respond to "The Belt and Road Initiative" and strive to make breakthroughs in overseas markets in the fields of emergency communication system, automatic ticket checking and communication system for urban rail transit, intelligent factory system, intelligent building system, broadcast and television wireless transmission and satellite-based ground receiving system.

The Company will coordinate and advance its efforts in shaping and communication of the "Panda" brand image, and consolidate the advertising resources in such aspects as advertisement publication, exhibition and display and public relations maintenance, to provide a strong support for the promotion of the Company's products. It will also give due weight to the utilization of the emerging media and means with strong immediacy, highly targeted and great influence to improve the influence of "Panda".

3. Development positioning and target for each business and market segment

Under the strategic guidance of the 13th Five-Year Plan, the Company adheres to the principle of quality first and efficiency in priority, exerts concentrated efforts on quality and efficiency enhancement as well as the supply-side structural reform, focuses on reform and innovation, deepens the lean management, promotes development quality, and steps up the efforts in promoting the expansion of the principal operations, the industrial transformation and upgrade and the enhancement of the management level of the Company, so as to lay a solid foundation for the accomplishment of the objectives set by the Company for the 13th Five-Year Plan period in all aspects.

Guided by the market and oriented to the customers, the business enterprises are required to further adjust the operation philosophy and change the operating strategy, accelerate the research and development of key technologies and the adjustment of product structure, innovate in the way of market exploration and the mode of business cooperation, explore highly effective incentive means and team building methods, constantly look for new economic growth points and new development drivers to develop synergies and economies of scale as soon as possible and achieve high quality and leap-forward development.

Discussion and Analysis of the Operation *(Continued)*

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

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

3. Development positioning and target for each business and market segment *(Continued)*

Concentrating on the three principal operations and for the purpose of accelerating business transformation, improving innovation capability, branching out into new product categories and scaling up directly, the Company will carry out resource consolidation and reorganization, eliminate outdated production capacity, obtain quality equity interests, assets and businesses from outside through mergers and acquisitions, strive to make breakthroughs in key technologies, expand the effective and high-end supply, and push forward the supply-side restructuring adjustment through accelerated pace of creating competitive advantages in a bid to improve the scale and benefits of the principal operations and promote the Company's core businesses up to the high end of the value chain.

(1) Intelligent manufacturing industry

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

(2) Smart city industry

① Intelligent transportation industry: the Company will transform from a supplier of a single system to a general contractor for mechatronic system, and set foot on inter-city rail and high-speed rail business. The Company will also build a big data platform for smart cities with intelligent transportation as the core, and complete the construction of relevant demonstration projects to achieve the industrialization of the payment systems, technologies and products based on the "Internet Plus". On the basis of maintaining its leading position in the domestic industry as to the first-rate rail transit ticket vending and fare collection equipment and systems and the communications devices and systems in the market segment of smart city, the Company strives to develop the Company into an internationally famous professional provider specialized in R&D and manufacturing of urban rail traffic information equipment and intelligent traffic solutions and system integration services.

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

3. Development positioning and target for each business and market segment (Continued)
 - (2) Smart city industry (Continued)
 - ② Safe city industry: the Company will expand and strengthen the businesses of time-frequency system, small base station, dedicated communication system for regional broadband and mobile video product line and the scale of existing products such as portable city management smart terminals; in the meantime, we will give priority to make breakthroughs in 5G technology, new generation of satellite mobile communication technology and the integration and emergency communication general technology covering communication technologies of satellite, unmanned aerial vehicle and ground monitoring station. We are devoted to becoming a technology leading solution and equipment supplier for the military-civilian-integrated private communication network, providing first-class services to safe city and customers of other industries.
 - ③ Information network industry: the Company will focus on promoting the R&D and application of the next generation of broadcast and television transmission and terminal equipment, provide systematic solutions and equipment for the broadcast and television network from the transmitting terminal to the receiving terminal via the transmission coverage, and exert great efforts on the development of the industries such as connected smart communities, smart home and intelligent terminal with multi-network connections, thus striving to become a major player in the new generation of broadcast and television equipment and consumer electronics sectors in China.
 - ④ Intelligent building industry: the Company will integrate modern communication technology, information technology, computer network technology and monitoring technology, etc., and master the automatic detection and optimization control technology related to the intelligence of buildings, to realize the intelligent control over the buildings and the optimal management on information resources, build its own intelligent building system and equipment integrated maintenance and management platform, and become a first-class domestic supplier of systematic solutions for intelligent buildings with various outstanding qualifications and a contractor for related construction projects and operation and maintenance management projects.

Discussion and Analysis of the Operation *(Continued)*

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

(II) Development strategies of the Company (Continued)

3. Development positioning and target for each business and market segment (Continued)

(3) Electronic manufacturing service

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

(III) Business plan

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

In 2018, against a complicated and severe external environment, while upholding its consistent development orientation of the principal operations, the Company actively planned for industrial development, built further presence in external markets, and increased its input in scientific research and workforce construction to increase the scientific research proficiency of the Company. It also took practical measures to boost quality and efficiency enhancement, furthered the comprehensive lean management, worked steadily to maintain well-functioned internal control, and persisted in law-abiding and compliance business behaviors. As a result, sound progress of the business of the Company was rest assured.

The operating targets of the Company in 2018 were to achieve a revenue of RMB4,500,000,000 and total profit of RMB180,000,000. Based on the audited financial report, the operating revenue of the Company in 2018 was RMB4,500,505,700 and total profit was RMB251,004,300.

2. 2019 operating plan

(1) Strive to accomplish the operating targets. The operating targets of the Company in 2019 are to achieve a revenue of RMB5,000,000,000 and total profit of RMB180,000,000. In 2019, the Board has formulated the above operating targets based on the overall economic situation at home and abroad, taking into full account the developments of the industry segments in which the Company operates and the actual conditions of the Company. Although the Company may be subject to many uncertainties in its daily course of operations, it will insist on pragmatic approaches and seek progress while maintaining stability in an effort to achieve its operating targets.

Discussion and Analysis of the Operation *(Continued)*

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

(III) Business plan (Continued)

2. 2019 operating plan (Continued)

- (2) Aim for high-quality development and reinforce quality and efficiency enhancement with emphasized efforts. As powered by technological innovation and guided by the new-generation information technology, the Company will accelerate the pace of making breakthroughs in key and core technologies, and promote the high-quality development of intelligent manufacturing instead of the traditional manufacturing. It will also intensify credit management and risk control, increase efforts on cost reduction, enhance the liquidation of inventory and the clearing of accounts receivable, strengthen overall budgeting management and optimize organizational structure. In addition, the Company will speed up the supply-side structural reform, optimize its product and business composition, and keep an eye on and catch hold of the market demands to scale up the technological content of its principal products, step up sales and increase gross profit of its principal business. Moreover, will establish and improve a long-effective mechanism for asset structural adjustment and optimized resource allocation.
- (3) Capitalize on opportunities arising from supply-side reform and focus on promoting transformation and upgrade. The Company will further exert the leading effect of the "13th Five-Year" plan, and segment and quantify the development indicators and key working assignments to ensure that each target or plan is based on the current situation and aims for the long run and that each working assignment is subdivided and put into practice effectively. Besides, the Company will maximize the effects of technological research, intensify the construction of a technological innovation platform and increase manpower input in scientific and technological research. Meanwhile, the Company will make the best of clustered resources to win over project funds at fill tilt and strive to make greater achievements in respect of capturing big projects. In addition, the Company will expand the range of bank-enterprise cooperation and deepen the level of bank-enterprise cooperation to provide powerful support for the transformational development of the Company. Furthermore, in order to guarantee talents in place, the Company will deepen the market-based reform in respect of personnel selection and appointment and in turn form up a market-based workforce system.

Discussion and Analysis of the Operation (*Continued*)

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

(III) Business plan (Continued)

2. 2019 operating plan (Continued)

- (4) Focus on systematic reform and put forth effort to strengthen cement lean management. The Company will further rationalize the corporate management systems to undertake and perfect modern enterprise systems and inspire the motility of corporate governance and management appraisal of the Board in strict compliance with relevant laws and regulations concerning corporate governance, operation and regulation of listed companies as well as the Articles of Association. It will establish a market-based performance appraisal system to further perfect the management measures on business performance appraisal and adjust and optimize the business performance appraisal system based on the functional orientation, development status governance structure of each enterprise so as to achieve comprehensive appraisal which prioritizes market-based evaluation and takes due account of major contributions and important assignments. In addition, the basic management standard of the Company will be improved through speeding up the promotion of the information-based management system construction in all aspects and establishment of an operating environment conducive to efficient transmission, steady operation and data security. Work will be conducted to further improve the process of each management task, shorten the management chain and raise management efficiency. Besides, continuous efforts will be exerted to push for innovations in respect of corporate management, enhance application for state-level and provincial-level innovation achievements and promote management improvement by virtue of management innovation.

Discussion and Analysis of the Operation *(Continued)*

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

(III) Business plan *(Continued)*

2. 2019 operating plan *(Continued)*

- (5) Compliance management as fundamental and concentrate efforts on overall risk management and control. The Company will continue to enhance the construction of overall risk management system, strengthen the awareness of risks in respect of decision-making, compliance, operation, capital and laws, further implement the Temporary Provisions on Principal Responsible Person in Implementing and Promoting Legal Governance for Chief Officers of Enterprises and assume main responsibility for overall risk management and control, as well as making arrangements for the advancement of the integration of risks, laws, internal control, compliance and holding accountable. Meanwhile, the Company will institute a well-established lawful and compliance censorship system for major decisions, important systems and material contracts, continue to satisfy the requirement of full coverage of professional legal review over the three categories of matters, and empower the corporate counsel and professional in-house lawyer to participate in significant production and management matters of the Company to a more intensive and extensive extent. Moreover, the Company will further perfect the decision-making mechanism and process for matters concerning "Three Major, One Large" and others, and break down the decision-making contents and authority of decision-making departments and organs of power at different levels to ensure well-grounded decisions, well-established decision-making process and compliance decision-making procedures. Besides, the Company will carry on with the implementation of internal control assessment, achieve full coverage of audit over the economic responsibility during the tenure and exert efforts on special audit of major projects and material events. Furthermore, the Company will enhance the awareness of safety, environmental protection and confidentiality, entrench the "red line consciousness" and "sense of duty", and carry out operations on the basis of ensuring work concerning safety, environmental protection and confidentiality to operations.

(IV) Potential Risks

1. Market risk

Under the impact of the complicated and volatile economic situation at home and abroad, the intelligent manufacturing, rail transit and robot businesses of the Company are running up against intensive competition, and risks of malicious price reduction and price war lurk in the industry in the new era of high-quality development, which will bring about challenges for the Company in capturing a niche in the market and seeking for high-quality development in the future, and will affect the healthy and sustainable development of the Company. the Company will accelerate the adjustment of industrial structure and product portfolio, thoroughly implement lean management and enhancement of quality and efficiency, intensify the workforce construction and increase efforts on application of new technology and development of new products so as to step up brand influence, boost the continuous improvement of core competitiveness of the Company and secure the leading position in the industry.

Discussion and Analysis of the Operation (*Continued*)

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

(IV) Potential Risks (Continued)

2. Operating risks

As core technologies of international intelligent manufacturing such as communication, big data and control algorithm are mainly under the control of foreign companies, the Company is still seeking for breakthroughs in independent core technology and following emerging technologies at the present stage, and is incapable of completely independently master certain core and critical technologies. In particular, the industrialized application of industrial robot products only takes up a small proportion. Considering its current actual condition, the Company will continue to increase input in the facilities, materials, funds and personnel for the R&D of the existing technologies on the one hand, and on the other hand master international and domestic leading technologies at a higher pace through various approaches such as external introduction and internal alliance and industry-university cooperation. In terms of intelligent manufacturing, in the future, emphasis will be laid on the development of robots catering to the machinery manufacturing sector as mainly represented by welding robot; collaborative robots geared to 3C electronic manufacturing sector; intelligent transportation and warehousing system as represented by handling robot for the panel display sector; and systematic construction of full-set intelligent production line oriented to industrial robots. At the same time, priority will be given to breaking new grounds in the management, application and control software and systems of supporting platforms.

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

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures

(I) Information on Board meetings

Session of the meeting	Date of the meeting	Newspaper for disclosure	Subject matter of resolutions	Date of disclosure
15th meeting of the 8th session of the Board	2018-3-29	China Securities Journal, Shanghai Securities News	The resolutions in relation to the following matters were considered and approved: the 2017 work report of the Board, the 2017 work report of General Manager, the "13th Five-Year Plan" development plan of the Company, the 2017 final account report, the 2018 financial budget report, the proposal on application for credit facilities by the Company, the proposal on the Change in the Company's Accounting Policies and the Related Matters, the 2017 profit distribution plan, total remuneration for directors and senior management in 2017 · the proposal on amendments to Remuneration Assessment Method for Directors and Senior Management and adjustment of annual remuneration cap for senior management of the Company, the appointment of auditor for 2018, capital expenditure project budget draft for 2018, the setup of institutional framework of the Company, the 2017 annual report of the Company and its summary, the 2017 corporate social responsibility report, 2017 internal control evaluation report, the report of the independent directors of the Company for 2017, report on performance of duties of the audit committee for 2017, the special report on deposit and actual use of the raised funds for 2017, risk assessment report of Financial Company, Bylaws for Implementing Enterprise Annuity Payment, the convening of 2017 annual general meeting.	2018-3-30
Extraordinary meeting of the 8th session of the Board	2018-3-29	/	The proposal for write-off of certain equity investments and creditor's rights was considered and approved	/
16th meeting of the 8th session of the Board	2018-4-26	/	The 2018 first quarterly report of the Company was considered and approved.	/
17th meeting of the 8th session of the Board	2018-5-24	China Securities Journal, Shanghai Securities News	The nomination of candidates for directors of the 9th session of the Board was considered and approved	2018-5-25
1st meeting of the 9th session of the Board	2018-6-29	China Securities Journal, Shanghai Securities News	The election of chairman and vice chairman of the 9th session of the Board, and members and chairs of the professional committees; appointment of general manager, secretary to the Board, deputy general manager and chief accountant were considered and approved.	2018-6-30
2nd meeting of the 9th session of the Board	2018-8-30	China Securities Journal, Shanghai Securities News	The 2018 interim report of the Company and its summary, the proposals for the change in the Company's accounting policies and the related matters, and the proposal for Write-Off of Certain Equity Investments And Creditor's Right, the risk assessment report on the Financial Company and the revised Significant Information Internal Report System were considered and approved.	2018-8-31
Extraordinary meeting of the 9th session of the Board	2018-9-20	China Securities Journal, Shanghai Securities News	The proposal for Using Idle Funds for Cash Management was considered and approved.	2018-9-21
3rd meeting of the 9th session of the Board	2018-10-29	/	The 2018 third quarterly report of the Company was considered and approved.	/
Extraordinary meeting of the 9th session of the Board	2018-11-7	China Securities Journal, Shanghai Securities News	Continuing related-party transactions and related matters of the Company for the years from 2019 to 2021 were considered and approved.	2018-11-8

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

(II) Liquidity of Capital

In accordance with the Accounting Standards for Business Enterprises of China, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 40.31%, RMB2,457,966,000, 1.88 and 1.45 respectively as at 31 December 2018 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB1,292,114,200 as at 31 December 2018 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans and other loans amounted to RMB95,000,000 as at 31 December 2018 as shown in the consolidated financial statements of the Company.

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

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

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

(IV) Pre-emptive Rights

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

(V) Highest Paid Individuals

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

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

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

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

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

Discussion and Analysis of the Operation *(Continued)*

V. Other Disclosures (Continued)

(VIII) Service Agreements of Directors and Supervisors

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

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

(IX) Liability insurance for its Directors, Supervisors and Senior Management

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

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

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

(XI) Interested Relations with Suppliers and Customers

Nanjing China Electronics Panda Panel Display Technology Co., Ltd., Chengdu China Electronics Panda Display Technology Co., Ltd. and Nanjing CEC Panda LCD Technology Co., Ltd. are the connected legal persons of the Company. And they are listed as the top five customers of the Company in 2018.

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

(XII) Contracts of Significance

Particulars of the contracts of significance under paragraph 16 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries, or for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries, are set out in the paragraph headed "Material Connected Transactions" under Section V "Significant Events" of this report.

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

(XIII) Enter into Material Contracts

Besides the daily business, information on material contracts entered into by the Company during the reporting period is set out as follows:

1. On 7 November 2018, as considered and approved at an extraordinary meeting of the 9th session of the Board, the Company, on behalf of the Group, entered into continuing connected transaction agreements, including the "Agreement on Provision of Sub-Contracting Services and Composite Services", the "Agreement on Receipt of Sub-Contracting Services and Composite Services", "Agreement on Sale of Materials, Components and Parts", "Agreement on Purchase of Materials, Components and Parts" "Lease Rendering Agreement", "Lease Receiving Agreement", "Trademark License Agreement" and "Financial Cooperation Agreement" with each of CEC, NEIC, CEC Finance and CEC Home Appliances, separately. Such continuing connected transactions were considered and approved at the first extraordinary general meeting in 2018 of the Company dated 28 December 2018. For details, please refer to relevant announcements published by the Company on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 8 November 2018 and 29 December 2018 as well as the H share circular dispatched by the Company on 11 December 2018.
 - (A) The Company entered into an agreement with CEC in respect of provision of sub-contracting services and composite services by the Group to the CEC Group, for a term from 1 January 2019 to 31 December 2021 and with an annual agreed cap of RMB160,000,000;
 - (B) The Company entered into an agreement with CEC in respect of sale of materials, components and parts by the Group to the CEC Group, for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB2,100,000,000;
 - (C) The Company entered into the Financial Services Agreement with the Financial Company for a term of three years with effect upon the approval of independent shareholders at an extraordinary general meeting. Pursuant to the agreement, the annual cap for the Company's deposit balance provided by the Financial Company was RMB500,000,000, and the annual cap for loan, loan guarantee and other credit financing services provided by the Financial Company for the Company was RMB600,000,000;

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

(XIII) Enter into Material Contracts (Continued)

1. (Continued)
 - (D) The Company entered into an agreement with CEC in respect of provision of sub-contracting services and composite services by CEC Group to the Group, for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB13,000,000;
 - (E) The Company entered into an agreement with CEC in respect of purchase of materials, components and parts by the Group from CEC Group, for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB80,000,000;
 - (F) The Company entered into an agreement with NEIC in respect of lease of premises and relevant equipment by the Group to NEIC Group, for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB3,000,000;
 - (G) The Company entered into an agreement with NEIC in respect of lease of premises and relevant equipment by NEIC Group to the Group, for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB2,000,000;
 - (H) The Company entered into an agreement with Nanjing CEC-Panda Home Appliances Co., Ltd., a controlled subsidiary of PEG, in respect of licensing of the PANDA trademark by the Group to Nanjing CEC-Panda Home Appliances Co., Ltd., for a term from 1 January 2019 to 31 December 2021 and with an agreed annual cap of RMB3,000,000.
2. During the reporting period, the Company, pursuant to the Asset Disposal Agreement entered into by the Company with PEG and Investment Development Company, entered into separate commodity property pre-sale contracts with Investment Development Company in respect of the replacement of the first to the fourth floors (including a mezzanine floor) and the fourteenth to the seventeenth floors in Panda Building (Building A of a project research center on land lot No.1 located at No.301, Zhongshan East Road), details of which were set out in the H share circular dispatched by the Company on 11 December 2018.
3. During the reporting period, the Company provided financing guarantees for its subsidiaries and carried out wealth management with its temporarily idle self-owned funds. Relevant guarantee contract and wealth management contract were set out in relevant announcements published by the Company on China Securities Journal, Shanghai Securities News and the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange.

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

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

The Company had not issued or granted any convertible securities, options, warrants or similar rights as at 31 December 2018.

(XV) Pension Scheme

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

(XVI) Management Contracts

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

(XVII) Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2018 are set out in the notes to the financial statements prepared under the PRC accounting standards.

(XVIII) Changes in Owners' Equity

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

(XIX) Fixed Assets

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

(XX) Subsidiaries

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

Discussion and Analysis of the Operation (Continued)

V. Other Disclosures (Continued)

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

During the reporting period, the Company has adopted and complied with the Corporate Governance Code (“**Corporate Governance Code**”) as set out in Appendix 14 and the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

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

The Independent Non-executive Directors of the Company, within their scope of duties, have reviewed the “Related party relationship and transactions” set out in the notes to the financial statements of the Company for 2018 prepared under the Accounting Standards for Business Enterprises of China, as well as the relevant letter of the auditors, and confirmed that:

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

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

(XXIII) Contingencies

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

(XXIV) Environmental, Social and Governance Report

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

Discussion and Analysis of the Operation (*Continued*)

V. Other Disclosures (*Continued*)

(XXIV) Environmental, Social and Governance Report (*Continued*)

During the reporting period, in accordance with the requirements under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, the Company has prepared the 2018 Annual Social Responsibility Report covering corporate governance, environmental protection, employee care, community investment, product quality management and other aspects. In preparation of the report, the Company followed the reporting principles of materiality, quantitative, balance and consistency to the greatest possible extent. The report, which has been considered and approved by the 4th meeting of the 9th session of the Board, gives an account of the management approach, objectives, measures and results achieved in respect of environmental, social and governance areas of the Company and its subsidiaries during the period from 1 January 2018 to 31 December 2018. The report is also in compliance with the requirements of the Guidelines for the Preparation of the Report on the Performance of Corporate Social Responsibility (《<公司履行社會責任的報告>編制指引》) and the Notice on Further Improving the Information Disclosure of Listed Companies on Poverty Alleviation (《關於進一步完善上市公司扶貧工作信息披露的通知》) issued by Shanghai Stock Exchange. The 2018 Social Responsibility Report of the Company was published on the website of Shanghai Stock Exchange on 29 March 2019.

(XXV) Others

1. For the principal operations of the Group, please refer to “Section III An Overview of Company’s Business” in this report for details.
2. The Board of the Company considered and approved the profit distribution proposal to distribute cash dividend for 2018, the details of which are set out in “Section V Significant Events” in this report.
3. Taxation policies applicable to the shareholders in respect of the cash dividend received for the shares held by them in the Company shall follow the laws and regulations as revised from time to time by the State, details in relation thereto will be otherwise announced by the Company.
4. As at the date of this report, based on the information announced by the Company and within the knowledge of the Directors, the Company has complied with the continuous requirements of Hong Kong Stock Exchange in relation to the sufficiency of public float.
5. During the year, the Company donated RMB76,602 to support impoverished families and help the children of school age to go to school.

(XXVI) Annual General Meeting

The Board proposes to convene the 2018 annual general meeting of the Company before 30 June 2019, the announcement of which will be made separately.

By order of the Board

Xu Guofei

Chairman

Nanjing, the PRC, 28 March 2019

Significant Events

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

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

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

On 28 March 2019, the “Shareholders’ Return Plan of Nanjing Panda (2019–2021)” (《南京熊猫股東回報規劃(2019–2021)》) was considered and approved at the fourth meeting of the ninth session of the Board of the Company. The revised Shareholders’ Return Plan maintains continuity and stability of the profit distribution policy. The amendments further refined the decision-making procedures and supervision mechanism for profit distribution, clarified the priority of cash dividend in the way of profit distribution, strengthened the rationality, stability and transparency of cash dividend policies. The relevant decision-making procedures of profit distribution are in line with the requirement of relevant laws, regulations and the Articles of Association. The contents reflect the reasonable return to investors, fully safeguard the legitimate interests of minority shareholders and maintain the sustainable development of the Company.

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

Significant Events (Continued)

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

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

In 2018, the Company (as parent company) achieved a net profit of RMB36,516,400 and appropriated surplus reserves of RMB3,651,600. Given the cash dividend of RMB63,968,700 distributed in 2017, and the undistributed profit at the beginning of the period of RMB230,533,600, the actual distributable profit to shareholders this year amounted to RMB199,429,600. In accordance with the Articles of Association and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.80 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2018, with the total cash dividend to be distributed amounting to RMB73,107,082.32, and the remaining part to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the fourth meeting of the ninth session of the Board of the Company, and was agreed to submit to the annual general meeting for consideration.

The proposal for distribution of cash dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on or before 30 June 2019 and the dividend is expected to be paid to the shareholders of H Shares of the Company on or before 10 August 2019. The Company will announce in due course the date of the AGM and the closure of its register of members in relation to the right to attend and vote at the AGM. The Company will announce the record date for the distribution of H Share dividend, the closure date of its register of members, the implementation measures, and the withholding of income tax for dividends in due course. The Company will comply with the relevant laws and regulations in respect of withholding and waiver of income tax for dividends.

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

Unit: yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included) (RMB)	Number of shares transferred for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement during the year of distribution	Percentage of the net profit attributable to the holders of ordinary shares of the Company in the consolidated financial statement (%)
2018	-	0.80	-	73,107,082.32	161,959,568.48	45.14
2017	-	0.70	-	63,968,697.03	107,382,077.64	59.57
2016	-	0.70	-	63,968,697.03	119,240,512.92	53.65

Significant Events (Continued)

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

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

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

II. Fulfillment of Commitments

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

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

Significant Events (Continued)

II. Fulfillment of Commitments (Continued)

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

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	Description of specific reasons if not perform timely	Description of plans in next steps if not perform timely
Undertakings relating to refinancing	Avoidance of horizontal competition	PEGL	<p>(1) PEGL and its subsidiaries have no projects or assets which constitute horizontal competition with the principal operations of the Company.</p> <p>(2) PEGL and its subsidiaries would not engage in the same or similar business as that of the Company and its subsidiaries in any form (including such forms as investment, acquisition, operation, merger and entrusted operation inside or outside the PRC).</p> <p>(3) In the event of business competition with the Company and its subsidiaries, the PEGL and its subsidiaries would terminate production and operation, or integrate such competing business into the Company, or transfer such competing business to non-related third parties to avoid horizontal competition.</p> <p>(4) If any business opportunity is provided to PEGL and its subsidiaries by third parties or by PEGL and its subsidiaries to third parties, and such business directly or indirectly constitutes competition with the Company, or the Company is able to and intends to undertake such business, PEGL and its subsidiaries shall immediately inform the Company of such opportunity and facilitate the undertaking of such business by the Company on reasonable terms and conditions.</p> <p>(5) If the Company or the relevant regulatory authorities believe(s) there exists horizontal competition between the business of PEGL and its subsidiaries is engaging in or will engage in PEGL and its subsidiaries will timely transfer or terminate such business upon objection by the Company. If the Company further requests to acquire such business, PEGL and its subsidiaries will, unconditionally, transfer the aforesaid business and assets to the Company with priority based on the fair price as audited or appraised by agencies qualified to deal in securities and futures related business.</p> <p>(6) If this letter of commitment proves to be untrue or not observed, PEGL will indemnify the Company and its subsidiaries for all direct and indirect losses.</p> <p>(7) PEGL confirms that each commitment contained in this letter of commitment is independently executable, and any one commitment, if deemed invalid or terminated, shall not affect the validity of other commitments.</p> <p>(8) This letter of commitment is effective from the date of signing.</p>	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A
	Avoidance of horizontal competition	NEIC	The same contents as that of PEGL for "avoidance of horizontal competition"	Time: 30 November 2012; Term: effective from the date of signing.	Yes	Yes	N/A	N/A

Significant Events (Continued)

II. Fulfillment of Commitments (Continued)

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

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

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

Significant Events (Continued)

II. Fulfillment of Commitments (Continued)

- (II) The Company has profit forecasts on assets or projects, and the reporting period was within the term of profit forecasts. The Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor: N/A
- (III) The fulfillment of result commitments and its impact on impairment test to goodwill: N/A

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

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

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

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

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 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.

Significant Events (Continued)

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

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

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 to 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 on the website of the Hong Kong Stock Exchange on 30 August 2018.

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

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

Significant Events (Continued)

VI. Appointment and Dismissal of Accounting Firms

Unit: 0'000 Currency: RMB

Currently appointed	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Remuneration for the domestic accounting firm	162
Audit years of the domestic accounting firm	3 years
Name of the overseas accounting firm	N/A
Remuneration for the overseas accounting firm	N/A
Audit years of the overseas accounting firm	N/A

Unit: 0'000 Currency: RMB

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

Explanations on appointment and dismissal of accounting firms:

The fifteenth meeting of the eighth session of the Board of the Company considered and approved the Resolution related to the Appointment of the Auditor for 2018, and proposed 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 the determination of the auditor's remuneration within the limit of the total amount of RMB2,100,000. The meeting also agreed to submit the resolution for consideration and approval at the 2017 annual general meeting.

At the 2017 annual general meeting of the Company, 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 was considered and approved, and the Board was authorized to determine the auditor's remuneration within the limit of the total amount of RMB2,100,000.

For details, please refer to the relevant announcements published by the Company in China Securities Journal and Shanghai Securities News and on the website of the 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.

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

Significant Events (Continued)

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

VIII. Possible delisting and reason thereof: N/A

IX. Bankruptcy and restructuring related matter: N/A

X. Material Litigation and Arbitration

- (I) Litigation and arbitration disclosed in interim announcements with no subsequent developments: N/A
- (II) Information on litigation and arbitration not disclosed in the interim announcement or with subsequent events

Unit: 0'000 Currency: RMB

During the reporting period:

Suitor (sue)	Defendant (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 party being sued owed Communications Technology Company payment of goods of RMB14,285,000 and subsequent demand thereof failed, so Communications Technology Company filed a lawsuit to the court in July 2016.	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	A charging order on the respondent's bank deposits of RMB9,406 has been imposed by the court, and as for the remaining amounts in default, no property is available to be enforced. The enforcement procedure was terminated.
Jiangsu Jinling Cellulose and Fibre Co., Ltd. (江苏金羚纤维素纤维有限公司)	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		The people's court made an judgement on 29 October 2018	The suitor's claim has been rejected according to the first-instance judgement	
Guangdong Zhicheng Guanjun Group Co., Ltd. (广东志成冠军集团有限公司)	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				As agreed by both parties, the case has been settled through mediation

Significant Events (Continued)

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

1. Reference is made to the relevant announcement published by the Company in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 26 April 2018, 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.
2. Reference is made to the relevant announcement published by the Company in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 15 November 2018, Electronics Equipment Company, a wholly-owned subsidiary of the Company, was served with the Decision of Administrative Penalty (Ning Xin Qu Guan Huan Fa [2018] No. 123) (《行政處罰決定書》(寧新區管環罰[2018] 123號)) by the Bureau of Environmental Protection and Water Affairs under the Management Committee of Nanjing Jiangbei New District ("Nanjing Jiangbei New District Bureau"). After investigating Electronics Equipment Company, Nanjing Jiangbei New District Bureau found that Electronics Equipment Company conducted the following environmental illegal acts: it had tampered with the data from automatic pollution source monitor. According to the prosecution proposal from the People's Procuratorate of Gulou District, Nanjing, during the process of handling the environmental pollution case against Sembcorp Nanjing SUIWU Co Ltd., it is found that Zhao Jian, the director of the operating department of Electronics Equipment Company, had been allowing the consistent manipulation of the data recorded by the automatic monitoring device by the relevant staff of Sembcorp Nanjing SUIWU Co Ltd. to assist the latter in falsification and avoiding being monitored by the environmental authorities. Nanjing Jiangbei New District Bureau adjudges that Electronics Equipment Company's act is in violation of the requirements under Article 5 of the Administrative Measures on Automatic Environmental Monitoring in Nanjing (《南京市環境自動監測監控管理辦法》) and under clause II of Article 24 of the Provisional Measures on the Management of Automatic Monitoring of Sources of Pollution in Jiangsu Province (《江蘇省污染源自動監控管理暫行辦法》). According to Article 28 of the Administrative Measures on Automatic Environmental Monitoring in Nanjing, Nanjing Jiangbei New District Bureau, after consideration, decided to impose the following administrative penalties on Electronics Equipment Company: the behaviour in violation of environmental law be corrected forthwith; a fine of RMB30,000. Electronics Equipment Company has made an application to the Nanjing Environmental Protection Bureau for an administrative review.

During the period of administrative review, Nanjing Jiangbei New District Bureau revoked the Decision of Administrative Penalty (Ning Xin Qu Guan Huan Fa [2018] No. 123) (寧新區管環罰[2018]123號) in accordance with the provisions under Article 41 and Article 54 of Administrative Penalty Law of the People's Republic of China. Electronics Equipment Company submitted the application for withdrawal to the Nanjing Environmental Protection Bureau, and the administrative review was terminated as examined and approved. On 22 January 2019, Electronics Equipment Company received the Decision of Administrative Penalty (Ning Xin Qu Guan Huan Fa [2018] No. 146) (《行政處罰決定書》(寧新區管環罰[2018] 146號)) from the Nanjing Jiangbei New District Bureau, the main contents of which, including illegal acts in environmental protection, specific terms involved, basis of punishment and punitive measures, are consistent with those disclosed in the Announcement on the Receipt of Decisions of Administrative Penalty by Subsidiaries of the Company (Lin 2019-042) published by the Company on 15 November 2018. Electronics Equipment Company has corrected its behavior and paid the fine to the designated account.

Significant Events (Continued)

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

- Reference is made to the relevant announcement published by the Company in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 15 November 2018, Huage Plastic, a wholly-owned third-tier subsidiary of the Company, was in violation of the provisions under Article 28 of the Law of the People's Republic of China on Fire Prevention due to its locked emergency exits. In accordance with relevant provisions in sub-clause 3 of clause I under Article 60 of the Law of the People's Republic of China on Fire Prevention, the Brigade of the Economic and Technological Development Zone of the Public Security and Fire Prevention Branch of Nanjing City imposed a fine of RMB10,000 on Huage Plastic. Huage Plastic has paid the fine of RMB10,000 according to the Demand Note of Administrative Penalty of Nanjing.

The production and operation activities of the Company, Huage Plastics and Electronics Equipment Company were not materially affected by the aforesaid administrative penalties. The Company has requested the Company and relevant subsidiaries to further strengthen study of laws and regulations on environmental protection and fire prevention and conduct operations in strict accordance with relevant procedures to prevent similar events.

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

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

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

XIV. Material Connected Transactions

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

- Matters disclosed in interim announcements with no progress or change in the follow-up implementation

On 7 November 2018, the continuing connected transactions for the years 2019 to 2021 and the caps between the Group and CEC Group, NEIC Group and CEC Home Appliances were considered and approved at the extraordinary meeting of the ninth session of the Board, at which the directors or senior management of the Company were authorised to enter into the relevant agreements relating to such continuing connected transactions. The connected directors has abstained from voting; and the non-connected directors, independent non-executive directors and the Audit Committee approved these continuing connected transactions, considering that these continuing connected transactions were in the interest of the Company and the shareholders as a whole. These continuing connected transactions were considered and approved at the 2018 first extraordinary general meeting of the Company on 28 December 2018. For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange respectively on 8 November and 29 December 2018 and H share circular despatched on 11 December 2018.

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

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

On 7 November 2018, 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 ninth session of the Board, at which the directors or senior management of the Company were authorised to enter into the Financial Cooperation Agreement. It was stipulated that the cap for the fund settlement balance (deposit services) of the Group with Financial Company maintained at RMB500,000,000 and the cap for the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group maintained at RMB600,000,000. The agreement was effective from obtaining approval of independent shareholders at the extraordinary general meeting for a term of three years. The entering into of the Financial Cooperation Agreement was in compliance with relevant state and industry regulations and on the principle of openness, fairness and justice, without prejudice to the interest of the Company and minority shareholders of the Company. Additionally, the Company has made the Emergency Risk Management Plan for the Deposits Placed with Financial Company which guaranteed the safety and liquidity of the funds. The connected directors has abstained from voting; and non-connected directors, independent non-executive directors and the Audit Committee approved such continuing connected transaction, considering that such continuing connect transaction was in the interests of the Company and its shareholders as a whole. This continuing connect transaction was considered and approved at the 2018 first extraordinary general meeting of the Company on 28 December 2018. For details, please refer to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange respectively on 8 November and 29 December 2018 and H share circular despatched on 11 December 2018.

At the fourth meeting and the second meeting of the ninth Board convened on 28 March 2019 and 30 August 2018 respectively, the resolution in relation to the Risk Assessment Report on China Electronics Financial Co., Ltd. (《關於中國電子財務有限責任公司風險評估報告》) was considered and approved to assess the risks related to the funds deposited with Financial Company. As reviewed, there were no material defects found in the risk control system regarding the financial statements of Financial Company as at 30 June 2018 and 31 December 2018. For details, please refer to the relevant announcements of the Company published on the website of the Shanghai Stock Exchange on 31 August 2018 and 29 March 2019 and on the website of Hong Kong Stock Exchange on 30 August 2018 and 28 March 2019, respectively.

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

- Matters disclosed in interim announcements with progress or change in the follow-up implementation (Continued)

As at 31 December 2018, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB78,730,000 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB499,260,000. As at 27 March 2019, the comprehensive credit balance (loans, guarantee and other credit financing services) provided by Financial Company to the Group amounted to RMB50,000,000 and the fund settlement balance (deposit services) of the Group with Financial Company amounted to RMB138,253,600. The connected transactions between the Group and Financial Company were also confirmed by the independent non-executive directors and the comprehensive credit balance and fund settlement balance did not exceed the approved annual caps.

- 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				3,774.81	1.09			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				2,892.83	0.83			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				449.13	0.13			
Nanjing Huadong Electronic Information & Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				408.78	0.12			
Xianyang IRICO Intelligent Equipment Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				336.21	0.10			
Shenzhen China Electronics Investment Company	Subsidiary owned by shareholders	Purchase of goods				313.67	0.09			
Nanjing Zhenhua Packing Material Factory	Subsidiary owned by shareholders	Purchase of goods				301.86	0.09			
Nanjing IRICO New Energy Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				211.56	0.06			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				104.62	0.03			
China Electronics Import and Export Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				80.14	0.02			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				76.28	0.02			
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				37.43	0.01			
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				29.03	0.01			
Guizhou Zhenhua Hualian Electronics Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				16.28	0.00			
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				12.41	0.00			
Nanjing CEC Panda Illumination Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				11.11	0.00			
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Subsidiary owned by shareholders	Purchase of goods				5.79	0.00			
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				4.08	0.00			
Chengdu China Electronic Panda Display Technology Co., Ltd	Subsidiary owned by shareholders	Purchase of goods				3.32	0.00			
Shenzhen China Electronic International Information Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				3.06	0.00			
Nanjing Panda Dasheng Electronics Technology Co., Ltd.	Subsidiary owned by shareholders	Purchase of goods				1.58	0.00			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other	Receipt of services				612.74	4.94			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Receipt of services				344.63	2.78			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				200.81	1.62			
Nanjing Hua Dong Electronics Information Technology Holdings Limited	Subsidiary owned by shareholders	Receipt of services				54.44	0.44			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Receipt of services				34.45	0.28			
Panda Electronics Group Limited	Controlling shareholder	Receipt of services				22.18	0.18			
China Electronics International Exhibition Advertising Co., Ltd	Subsidiary owned by shareholders	Receipt of services				11.80	0.10			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders	Receipt of services				5.50	0.04			
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other	Receipt of services				4.86	0.04			
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder	Receipt of services				4.25	0.03			
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Subsidiary owned by shareholders	Receipt of services				4.22	0.03			
China Electronics Import and Export Co., Ltd	Subsidiary owned by shareholders	Receipt of services				3.05	0.02			
Chengdu China Electronic Panda Display Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				69,261.22	18.83			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				40,235.62	10.94			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				16,375.83	4.45			
Xianyang Caihong Optoelectronics Technology Co., Ltd	other	Sale of goods				10,709.73	2.91			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				7,791.71	2.12			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Sale of goods				3,794.24	1.03			
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				3,475.77	0.95			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Sale of goods				3,276.71	0.89			
Guizhou Zhenhua Yilong New Materials Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				1,793.04	0.49			
Xianyang Zhongdian IRICO Group Holdings Ltd.	Subsidiary owned by shareholders	Sale of goods				1,434.58	0.39			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Sale of goods				435.36	0.12			
IRICO (Hefei) LCD Glass Co., Ltd.	Other	Sale of goods				431.03	0.12			
China Greatwall Technology Group Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				182.61	0.05			
Panda Electronics Group Limited	Controlling shareholder	Sale of goods				169.59	0.05			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing 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 Ericsson Panda Communication Co., Ltd.	Associate	Sale of goods				157.86	0.04			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				100.18	0.03			
China Electronic Material Suzhe Company	Subsidiary owned by shareholders	Sale of goods				76.26	0.02			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				53.46	0.01			
Nanjing Electronics Information Industrial Corporation	Subsidiary owned by shareholders	Sale of goods				41.17	0.01			
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders	Sale of goods				24.53	0.01			
Nanjing Huadong Electronic Information & Technology Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				24.37	0.01			
Nanjing CEC Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Sale of goods				22.92	0.01			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Sale of goods				18.66	0.01			
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				5.76	0.00			
Shenzhen China Electronics Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				4.39	0.00			
Nanjing China Electronics Modern Service Industry Co., Ltd	Subsidiary owned by shareholders	Sale of goods				3.13	0.00			
Nanjing China Electronics Panda Trade Development Co., Ltd	Subsidiary owned by shareholders	Sale of goods				0.35	0.00			
Panda (Beijing) International Information Technology Co., Ltd	Subsidiary owned by shareholders	Sale of goods				0.07	0.00			
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				4,907.08	6.00			
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other	Rendering of services				2,112.70	2.58			
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				1,091.00	1.33			
Panda Electronics Group Limited	Controlling shareholder	Rendering of services				883.20	1.08			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Subsidiary owned by shareholders	Rendering of services				512.45	0.63			
Nanjing CEC Panda LCD Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				397.87	0.49			
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				68.36	0.08			
Nanjing CEC Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders	Rendering of services				43.25	0.05			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Rendering of services				36.00	0.04			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Rendering of services				26.07	0.03			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Rendering of services				7.18	0.01			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Rendering of services				5.93	0.01			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Rendering of services				0.88	0.00			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				66.04	0.00			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				61.70	0.00			
Shenzhen Jinghua Intelligent Technology Co., Ltd.	Other	Leasing of assets				53.77	0.00			
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				24.43	0.00			
Nanjing Panda Handa Technology Co., Ltd	Subsidiary owned by shareholders	Leasing of assets				13.00	0.00			
Shenzhen Jinghua Network Marketing Co., Ltd.	Associate	Leasing of assets				5.01	0.00			
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders	Leasing of assets				5.01	0.00			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				4.07	0.00			
Panda Electronics Group Limited	Controlling shareholder	Leasing of assets				2.56	0.00			

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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
Chengdu China Electronic Panda Display Technology Co., Ltd	Subsidiary owned by shareholders	Assets leased				10.54	0.22			
Nanjing China Electronics Panda Appliances Co., Ltd	Subsidiary owned by shareholders	Trademark licensing				31.25	60.87			
Total				/	/	180,646.38		/		/
Details on return of bulk sales			N/A							
Explanation on connected transactions			<p>During the reporting period, the continuing connected transactions conducted between the Group, and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances (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 the Shanghai Stock Exchange respectively on 13 November and 29 December 2015 and the H share circular dispatched on 11 December 2015.</p> <p>All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.</p> <p>These continuing connected transactions were conducive to the stability of the Group's production and operation. In addition, the terms of these continuing connected transactions were fair and reasonable with fair pricing and had performed approval procedures in accordance with relevant requirements and these continuing connected transactions were conducted in the usual course of business and on normal commercial terms, were in the benefit of the Company and the shareholders as a whole and did not affect the Company's independence.</p>							

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

For details of the continuing connected transactions between the Group and CEC Group (including Financial Company), NEIC Group and CEC Home Appliances during the reporting period, please refer to the section headed “Related party relationship and transactions” in the notes to the financial statements of the 2018 annual report of the Company, summaries of which are as follows:

Unit: 0'000 Currency: RMB

Serial No.	Categories of the Continuing Connected Transaction	Pricing Principle	Actual Amount
(A)	Provision of sub-contracting services and composite services by the Group to the CEC Group	Market price, government guidance rate	7,978
(B)	Provision of sub-contracting services and composite services by the CEC Group to the Group	Market price, government guidance rate	685
(C)	Sale of materials, components and parts by the Group to the CEC Group	Market price, cost plus	145,325
(D)	Purchase of materials, components and parts by the Group from the CEC Group	Market price	9,074
(E)	Lease of premises and relevant equipment by the Group to the NEIC Group	Market price	33
(F)	Lease of premises and relevant equipment by the NEIC Group to the Group	Market price	177
(G)	Licensing of Trademark by the Group to CEC Home Appliances	Market price	11
(H)	The fund settlement balance of the Group with Financial Company (receipt and payment of transaction amount, settlement and sale of foreign exchange, deposits taking, and handling time deposits, call deposits, agreement deposit, etc.)	Market price	49,926
(I)	Provision of comprehensive credit balance by Financial Company to the Group (loans in local and foreign currencies, external guarantees, finance leasing, acceptance and discount of commercial acceptance bills, factoring of accounts receivable, letter of guarantee, etc.)	Market price	7,873

Notes: (H), (I) were the fund settlement balance and comprehensive credit balance of the Group with the Financial Company under CEC as at 31 December 2018. During the reporting period, both of the fund settlement balance and comprehensive credit balance of the Group with the Financial Company did not exceed the approved annual caps.

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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

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

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

- (a) the material related party transactions entered into between the Group and the intermediate holding company, the Group and the immediate holding company and between the Group and fellow subsidiaries; and
- (b) as at 31 December 2018, the Group’s deposits with a fellow subsidiary of the Company, being a financial institution in the PRC, was RMB499,260,000 and the balance of the loans and other credit financing services provided by the fellow subsidiary to the Group was RMB78,730,000.

Significant Events *(Continued)*

XIV. Material Connected Transactions (Continued)

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

3. Matters not disclosed in interim announcements (Continued)

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

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

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

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

Significant Events (Continued)

XIV. Material Connected Transactions (Continued)

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

1. Matters not disclosed in interim announcements

Unit: yuan Currency: RMB

Connected parties	Connected relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Nanjing Panda Investment Development Co., Ltd.	Subsidiary owned by shareholders				21,166,211.85		21,166,211.85
Panda Electronics Group Limited	Controlling shareholder				8,098,223.19	-1,127,670.06	6,970,553.13
China Electronics Import/Export Corporation	Subsidiary owned by shareholders				194,539.62	1,000.00	195,539.62
Nanjing Electronics Information Industrial Corporation	Indirect controlling shareholder				55,200.00	-11,700.00	43,500.00
China Electronics Corporation	Indirect controlling shareholder				34,040,000.00	-34,000,000.00	40,000.00
Nanjing Panda Electronics Transportation Company	Subsidiary owned by shareholders				87,355.14	-51,821.89	35,533.25
Shanghai Panda Huning Electronic Technology Co., Ltd.	Subsidiary owned by shareholders				22,907.00	-	22,907.00
Nanjing Panda Technology Park Development Company Limited	Subsidiary owned by shareholders				20,000.00	-	20,000.00
Nanjing Panda Electronic Materials Utilization Co., Ltd.	Subsidiary owned by shareholders				10,000.00	-10,000.00	
Liyang Panda Bamboo Garden Hotel Co., Ltd.	Subsidiary owned by shareholders				1,976,818.17	-1,972,150.17	4,668.00
Nanjing Panda Dasheng Electronics Technology Company Limited	Subsidiary owned by shareholders				200.00	-	200.00
Thales Panda Transportation System Company Limited	Associate				860,265.92	-860,265.92	
Nanjing China Panda Real Estate Co., Ltd.	Subsidiary owned by shareholders				5,000.00	-5,000.00	
Total					45,370,509.04	-16,871,396.19	28,499,112.85
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

Significant Events *(Continued)*

XIV. Material Connected Transactions *(Continued)*

(V) Others

References are made to the relevant announcements published by the Company on the website of the Hong Kong Stock Exchange on 21 September 2017 and 30 November 2017, on the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 22 September and 1 December of 2017, and the H shares circular despatched on 13 October 2017. On 21 September 2017, the Company entered into the Asset Disposal Agreement with PEGL and Investment Development Company in respect of the disposal of the No. 54 building and its ancillary facilities and structures. The disposal of relevant assets was approved by the independent Shareholders at the 2017 first extraordinary general meeting of the Company held on 30 November 2017 and the procedures for approval complied with relevant regulations.

During the reporting period, according to relevant terms of the Asset Disposal Agreement, the Company entered into separate commodity property pre-sale contracts with Investment Development Company in respect of the exchange of the first to the fourth floors (including a mezzanine floor) and the fourteenth to the seventeenth floors in Panda Building (Building A of the research centre for land lot No.1 project, at No. 301, East Zhongshan Road), and completed the filing at Nanjing real estate administration authorities. The major work on the connected transaction in respect of the disposal of Building 54 at No. 301, East Zhongshan Road has been completed accordingly.

Significant Events (Continued)

XV. Material Contracts and Their Execution

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

(II) Guarantees

Unit: 0'000 Currency: RMB

Guarantees made by the Company (excluding those in favour of subsidiaries)														
Guarantor	Relationship between guarantor and the listed company		Secured party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date	Expiry date	Type of guarantee	Whether the guarantee has been fulfilled	Overdue	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 in favour of subsidiaries provided by the Company and its subsidiaries														
Total amount of guarantees provided to subsidiaries during the reporting period														105,500
Total balance of the amount of guarantees provided to subsidiaries at the end of the reporting period (B)														37,071.20
Total amount of guarantees made by the Company (including those in favour of subsidiaries)														
Total amount of guarantees (A+B)														37,071.20
Percentage of total guarantee amount in net assets of the Company (%)														10.69
Including:														
Amount of guarantees provided to shareholders, de facto controller and other related parties (C)														0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)														0
Amount of total guarantees in excess of 50% of net assets value (E)														0
Total amount of the above three items (C+D+E)														0
Statement on the contingent joint and several liability in connection with unexpired guarantee														
Statement on guarantee														

The aforesaid guarantees totaling RMB370,712,000, representing 10.69% of the Company's net assets, are provided by the Company to its subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees was below 70%. The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to its controlling shareholder, de facto controller or their connected parties. For details about the guarantees provided by the Company to its subsidiaries, please refer to "Provision of guarantees" in notes to the financial statements of 2018.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(II) Guarantees (Continued)

On 19 August 2016, the Company convened the first extraordinary general meeting of 2016, at which it was approved that the Company could provide a guarantee for the financing amount of no more than RMB1,185,000,000 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 non-executive 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) Entrusted cash assets management

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

Unit: 0'000 Currency: RMB

Type	Source of Funds	Amount Incurred	Balance not yet due	Amount Overdue but yet to recovery
Wealth management products of banks	Internal funds	50,000	36,000	0

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

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

Other conditions:

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

At the extraordinary meeting of the ninth session of the Board of the Company convened on 20 September 2018, the resolution concerning the Use of Temporarily Idle Fund for Cash Management was considered and approved. It was agreed that the internal periodically idle fund of no more than RMB500,000,000 (inclusive) could be used to purchase wealth management products with principal-guaranteed terms for a term not exceeding 12 months. The resolution would remain effective for one year from the date of approval by the Board. During the effective term of the resolution, the aforesaid amount can be used for investment on cyclic and rolling basis. The General Manager shall be authorized to deal with relevant matters within the amount limit and during the effective term of the resolution. For details, please refer to the Announcement on Use of Internal fund for Cash Management of Nanjing Panda Electronics Company Limited (Lin 2018-035) (《南京熊猫關於使用自有資金進行現金管理的公告》(臨2018-035)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 21 September 2018.

During the reporting period, the balance used to purchase the wealth management products of banks with internal temporarily idle fund of the Group was within the limit approved by the Board. As at 31 December 2018, the balance used to purchase wealth management products with internal temporarily idle fund by the Group amounted to RMB360,000,000 and as at 28 March 2019, the balance thereof amounted to RMB500,000,000.

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(2) Single entrusted wealth management

Unit: 0'000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual Income obtained	Actual amount of principal recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Ping An Bank Co., Ltd.	Principal guaranteed	10,000	2017-10-20	2018-1-19	Internal fund			4.35%		102.31	10,000	Yes		N/A
China Electronics Financial Co., Ltd.	Principal guaranteed	21,000	2017-11-17	2018-2-22	Internal fund			4.70%		247.45	21,000	Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed	10,000	2017-11-24	2018-2-24	Internal fund			4.70%		111.76	10,000	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000	2017-12-19	2018-3-20	Internal fund			4.70%		44.22	4,000	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	10,000	2018-1-25	2018-4-26	Internal fund			4.60%		108.19	10,000	Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Principal guaranteed	21,000	2018-3-1	2018-5-30	Internal fund			4.60%		225.30	21,000	Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	10,000	2018-3-1	2018-5-2	Internal fund			4.55%		72.91	10,000	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000	2018-3-22	2018-6-21	Internal fund			4.80%		45.16	4,000	Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	10,000	2018-5-3	2018-8-1	Internal fund			4.60%		107	10,000	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	10,000	2018-5-2	2018-8-2	Internal fund			4.60%		109.38	10,000	Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	21,000	2018-6-5	2018-9-4	Internal fund			4.90%		242.02	21,000	Yes		N/A
Industrial Bank Co., Ltd.	Principal guaranteed with floating returns	10,000	2018-10-10	2019-1-10	Internal fund			4.15%				Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	10,000	2018-10-10	2018-12-28	Internal fund			4.10%		83.81	10,000	Yes		N/A
Bank of Ningbo Co., Ltd.	Principal guaranteed with floating returns	6,000	2018-11-7	2019-2-11	Internal fund			4.10%				Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	7,000	2018-11-8	2019-2-14	Internal fund			4.10%				Yes		N/A

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

1. Entrusted wealth management (Continued)

(2) Single entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Source of funding	Committed investment project	Method to determine return	Annual rate of return	Expected return (if any)	Actual Income obtained	Actual amount of principal recovered	Through a legal procedure or not	Have an entrusted wealth management plan or not	Amount of provision for the impairment (if any)
Bank of Ningbo Co., Ltd.	Principal guaranteed with floating returns	4,000	2018-11-15	2019-2-15	Internal fund			4.20%				Yes		N/A
Ping An Bank Co., Ltd.	Principal guaranteed	4,000	2018-11-15	2019-2-14	Internal fund			4.20%				Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	3,500	2018-1-11	2018-4-12	Internal fund			3.50%		28.12	3,500	Yes		N/A
China Electronics Financial Co., Ltd.	Principal guaranteed	1,500	2018-1-9	2018-4-9	Internal fund			2.17%		16.98	1,500	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2018-4-16	2018-7-17	Internal fund			3.50%		41.61	5,000	Yes		N/A
Industrial and Commercial Bank of China Limited	Principal guaranteed	5,000	2018-10-18	2019-1-17	Internal fund			3.50%				Yes		N/A
Shanghai Pudong Development Bank Co., Ltd.	Returns guaranteed	4,000	2018-10-10	2018-12-28	Internal fund			4.10%		35.08	4,000	Yes		N/A
Total	/	191,000	/	/	/			/		1,621.32	155,000	/		/

Significant Events (Continued)

XV. Material Contracts and Their Execution (Continued)

(III) Entrusted cash assets management (Continued)

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

Others:

In order to further increase capital usage efficiency and obtain high expected maximum annual rate of return, on 9 January 2018, Shenzhen Jinghua, a holding subsidiary of the Company, entered into an entrusted investment agreement with Financial Company in relation to entrustment of Financial Company to purchase principal-guaranteed wealth management products with its internal funds of RMB15 million. The entrusted wealth management expired on 10 April 2018, upon which the principal and income were recovered as scheduled. As approved at the 2015 first extraordinary general meeting, the cap for the integrated credit balance to be provided by Financial Company to the Group amounted to RMB600,000,000 and the cap for the fund settlement balance with Financial Company amounted to RMB500,000,000. The fund settlement balance of purchasing wealth management products by Financial Company under the Company's entrustment fell within the cap approved at the general meetings. Apart from the above, the entrusted wealth management of the Company during the reporting period did not constitute connected transaction.

The purchases of wealth management products by the Group from banks had been considered and approved by the Board of the Company and did not involve litigation, and there was no failure of recovery of principal when due. As at 31 December 2018, save for the wealth management products not yet due, the Company recovered the internal funds that were used to purchase wealth management products and the respective return thereof as scheduled. For the wealth management products which remain to be due, principal and returns were recovered as scheduled on the due dates.

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

2. Entrusted loans: N/A

(IV) Other material contracts

Save as in the ordinary course of business, details of the material contracts entered into by the Company during the reporting period are set out in Section IV "Enter into Material Contracts" in this report.

Significant Events *(Continued)*

XVI. Other Material Events

(I) Tax policies

On 31 December 2018, details of the tax preferences of the Company and its subsidiaries are set out in the notes to the financial statements prepared in accordance with the accounting standards of PRC enterprises. The tax preference for subsidiaries registered in Hong Kong is subject to local laws and regulations.

(II) Basic medical insurance for employees

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

XVII. Fulfillment of Social Responsibilities

(I) Poverty alleviation of the Company

1. The targeted measures 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 ("百企掛鈎幫百村") 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. 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.

2. 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 mid August, the Company visited the village and gave away subsidies to three college students from poverty-stricken households who were enrolled by universities in 2018 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 donated additional RMB60,000 to provide financial assistance to 60 poor families in the village in the end of December.

Significant Events (Continued)

XVII. Fulfillment of Social Responsibilities (Continued)

(I) Poverty alleviation of the Company (Continued)

3. Results of the targeted poverty alleviation

Unit: 0'000 Currency: RMB

Items	Amount and relevant implementations
I. General information	
of which: 1. Capital	7.50
2. Supplies converted to cash	0.1602
3. Number of registered poor people lifted out of poverty (<i>person</i>)	
II. Injection by project	
1. Poverty alleviation through industrial development	N/A
2. Poverty alleviation through transferring the form of employment	N/A
3. Poverty alleviation through relocation	N/A
4. Poverty alleviation through education	
of which: 4.1 Capital injected to subsidize poor students	1.6602
4.2 Number of poor students subsidized (<i>person</i>)	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 (<i>person</i>)	
9.4. Details about other projects	Assistance to 60 poverty-stricken households in the pair-up village
III. Awards and its level	N/A

Significant Events *(Continued)*

XVII. Fulfillment of Social Responsibilities *(Continued)*

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

4. Subsequent plan for targeted 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 an 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 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.

(II) Overview of social responsibility

The Company considered and approved the 2018 Social Responsibility Report at the fourth meeting of the ninth session of the Board on 28 March 2019, the full text of which was published on the website of the Shanghai Stock Exchange on 29 March 2019.

(III) Environmental information

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

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.

Significant Events (Continued)

XVII. Fulfillment of Social Responsibilities (Continued)

(III) Environmental information (Continued)

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

- (1) Information on emission of pollutants

Huage Plastic has one waste water outlet on the west side of Block 5 Plant, No. 1 Hengtong Avenue, Nanjing Economic and Technological Development Zone, which intermittently emit COD and ammonia nitrogen in compliance with the Grade III standard under "Integrated Wastewater Discharge Standards" (《污水綜合排放標準》) (GB8978-1996). With the approved pollutant emission of 15.3 tons/year for COD and 0.864 ton/year for ammonia nitrogen, it had no excessive emission.

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 on the third floor of Block 5 Plant of Huage Plastic 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 on the second floor of Block 5 Plant is treated by activated carbon adsorption. The newly built automatic production line on the first floor of Block 5 Plant applies regenerative catalytic combustion and the installation has been completed for the device.

Significant Events *(Continued)*

XVII. Fulfillment of Social Responsibilities *(Continued)*

(III) Environmental information *(Continued)*

1. Statement on the environmental protection practice of companies and their major subsidiaries belonging to key pollutant discharging units published by national environmental protection authorities: *(Continued)*
 - (3) Environmental impact assessment of construction projects and other administrative licenses of environmental protection
 - A. 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, 8 February 2012; acceptance time and number: 22 October 2012, and Ning Huan Yan [2012] No. 121.

Project name: project of optimization of production lines and upgrading and renovation of supporting pollution control facilities; document number and time for EIA approval: Ning Kai Wei Xing Shen Xu Ke Zi [2018] No. 267, 29 August 2018.
 - B. 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

Jiangsu Rainfine Environmental Science and Technology Co., Ltd. has been engaged to complete the preparation of the report and organized relevant experts to review the report, and filing has been completed for the report with the number of 320113–2018–038-L.
 - (5) Environmental self-monitoring plan

A third-party (Nanjing Beiyun Environmental Technology Group Co., Ltd.) has been engaged to carry out annual environmental monitoring and the monitoring results met standards. Number of the 2018 monitoring report: (2018) Ning Bai Huan Jian (Zong) Zi No. 201811125.
 - (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.

Significant Events (Continued)

XVII. Fulfillment of Social Responsibilities (Continued)

(III) Environmental information (Continued)

2. Environmental protection by companies other than key pollutant discharging units:

The Company and its subsidiaries other than Huage Plastic do not belong to the key pollutant discharging units published by national environmental protection authorities. The Company practices the development concept of harmonious coexistence between human and nature, and actively responds to the national green development and the call of “protecting green hills and clear waters and building beautiful China”, to create green products, green park and green industry and promote green, low-carbon and returnable industrial structure adjustment. In combination with its own business situation, the Company promoted the construction of environmental management system, formulated corresponding environmental management measures, and will continuously improve and implement them.

In accordance with relevant regulations, the Company has made special disclosures on emission reduction, waste management, energy management and water resources management. The specific details are shown in the 2018 Social Responsibility Report published by the Company on the website of the Shanghai Stock Exchange on 29 March 2019.

For details of the penalties against the relevant subsidiaries of the Company for violations of environment supervision regulations during the reporting period, please refer to relevant contents in “Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholder, ultimate controller and acquirers” in this section.

3. Reasons for not disclosure of environmental information by the companies other than key pollutant discharging units: N/A
4. Description of the follow-up progress or changes in the environmental information disclosed during the reporting period:

The Environmental Protection and Water Bureau of Jiangbei New District, Nanjing imposed punishment against Electronics Equipment Company for violation of environment supervision regulations and the Electronics Equipment Company submitted the reconsideration application to Nanjing Environmental Protection Bureau. For details of subsequent progress, please refer to relevant contents in “Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholder, ultimate controller and acquirers” in this section.

5. Other explanations: N/A

XVIII. Convertible Bonds: N/A

Changes in Ordinary Shares and Information of Shareholders

I. Changes in ordinary share capital

(I) Table for changes in ordinary shares

1. Table for changes in ordinary shares

During the reporting period, there was no change in total number of ordinary shares or shareholding structure of the Company.

As at 28 March 2019, the latest practicable and recent date prior to the date of announcement of the annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the requirements of the Hong Kong Stock Exchange in relation to sufficiency of public float.

2. Explanations on changes in ordinary shares: N/A

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

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

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

II. Securities Issue and Listings

(I) Issue of securities during the reporting period

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

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

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

III. Shareholders and Actual Controller

(I) Total number of shareholders

Total number of shareholders as at the end of the reporting period	50,662 shareholders including 50,634 A shareholders and 28 H shareholders
--	---

Total number of shareholders at the end of last month prior to the disclosure of this annual report	62,993 shareholders including 62,964 A shareholders and 29 H shareholders
---	---

Changes in Ordinary Shares and Information of Shareholders (Continued)

III. Shareholders and Actual Controller (Continued)

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

Unit: share

Shareholdings of top ten shareholders of the Company

Name of Shareholder	Increase/Decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage of shareholding (%)	Number of shares held subject to trading moratorium	Pledged or locked up Status of shares	Number of shares	Type of shareholders
HKSCC (Nominees) Limited	648,239	243,624,955	26.66	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
Huang Liangfu	0	4,148,825	0.45	0	Unknown		Domestic natural person
Hua Wei	1,244,750	3,775,571	0.41	0	Unknown		Domestic natural person
Li Lichun	3,224,700	3,224,700	0.35	0	Unknown		Domestic natural person
Yuan Yonglin	-419,100	2,729,500	0.30	0	Unknown		Domestic natural person
Li Yongmao	1,913,400	1,913,400	0.21	0	Unknown		Domestic natural person

Changes in Ordinary Shares and Information of Shareholders (Continued)

III. Shareholders and Actual Controller (Continued)

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

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

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	243,624,955	Overseas listed foreign shares	241,437,570
Panda Electronics Group Limited	210,661,444	RMB ordinary shares	2,187,385
China Huarong Asset Management Co., Ltd.	82,357,867	RMB ordinary shares	210,661,444
Nanjing Electronics Information Industrial Corporation	63,302,611	RMB ordinary shares	82,357,867
China Great Wall Asset Management Corporation	14,172,397	Overseas listed foreign shares	49,534,611
Huang Liangfu	4,148,825	RMB ordinary shares	13,768,000
Hua Wei	3,775,571	RMB ordinary shares	14,172,397
Li Lichun	3,224,700	RMB ordinary shares	4,148,825
Yuan Yonglin	2,729,500	RMB ordinary shares	3,775,571
Li Yongmao	1,913,400	RMB ordinary shares	3,224,700
Details for the connected relationship or party acting in concert among the aforesaid shareholders		NEIC holds 100% equity interests of PEGE, the controlling shareholder of the Company. NEIC holds, directly and through asset management plans, 49,534,611 A shares and 13,768,000 H shares of the Company, representing 6.93% of the total number of shares. NEIC indirectly holds 210,661,444 A shares of the Company through PEGE, representing 23.05% of the total number of shares. In total, NEIC holds 29.98% equity interests of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.	

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

Changes in Ordinary Shares and Information of Shareholders (Continued)

III. Shareholders and Actual Controller (Continued)

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

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

Note:

As at the end of the reporting period, HKSCC (Nominees) Limited held 243,624,955 shares of the Company (including 241,437,570 H shares and 2,187,385 A shares), representing 26.66% of the total issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

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

(IV) Information on reduction of shareholding by shareholders holding more than 5% of the issued share capital of the Company

1. On 2 January 2019, the Company received from China Huarong a written plan in relation to reduction its shareholding in the Company. For details of the plan, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 3 January 2019 and on the website of Hong Kong Stock Exchange on 2 January 2019, respectively. From 25 February to 27 February 2019, China Huarong reduced its shareholding in the Company by 8,210,000 A shares in aggregate, representing 0.90% of the total share capital of the Company.
2. On 23 October 2017, the Company received from China Huarong a written plan in relation to reduction of its shareholding in the Company. During the reporting period, the Company has disclosed information on the implementation of the plan and the result of the reduction of shareholding, for details, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 13 February and 21 May 2018, and on the website of Hong Kong Stock Exchange on 12 February and 11 May 2018, respectively.

Changes in Ordinary Shares and Information of Shareholders (Continued)

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

(I) Controlling shareholder

1. Legal person	
Name	Panda Electronics Group Limited
The person in charge of the entity or legal representative	Xu Guofei
Date of establishment	5 December 1990
Principal business	Development, manufacture, sales and maintenance of various kinds of communication equipment, home appliance products, electronic equipment, electronic intelligent equipment, computer and other electronic equipment, radio and television equipment, video and audio equipment, electronic devices and components, environment protection equipment, social public service and other special equipment, electronics and electrical machinery equipment, instruments and meters, office machinery, general finance/tax control equipment; development of computers and IT software, system integration equipment and services; real estate development and property management.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2018, apart from the Company, equity interests of the following listed companies were held: <ol style="list-style-type: none"> (1) Shanghai Bailian (600827), 91,013 shares; (2) Jiangsu Expressway (600377), 500,000 shares; (3) Bank of Communications (601328), 1,257,029 shares; (4) Bank of Nanjing (601009), 9,698,353 shares; (5) Nanjing Xinbai (600682), 1,006,500 shares; (6) Nanjing Securities (833868), 20,222,964 shares; (7) Guotai Junan (601211), 1,436,858 shares.
Other explanations	N/A

Changes in Ordinary Shares and Information of Shareholders (Continued)

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

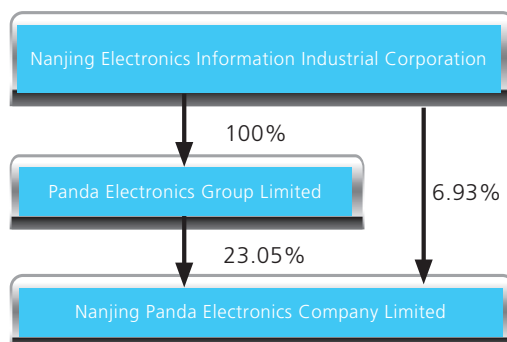
(I) Controlling shareholder (Continued)

1. Legal person (Continued)

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

Name	Nanjing Electronics Information Industrial Corporation
The person in charge of the entity or legal representative	Zhou Guixiang
Date of establishment	11 May 2007
Principal business	Research and development, services and transfer of electronic information technology; research and development, manufacture, sales and related services of electronic products; design, construction and related services in electronic engineering; real estate investment; property management; industrial investment and asset management services.
Equities of other domestic and overseas listed companies in which the company holds controlling shares or shares during the reporting period	As at 31 December 2018, other than its equity interests in the Company, NEIC held 24.51% equity interests of Huadong Technology (000727).

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



Changes in Ordinary Shares and Information of Shareholders (Continued)

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

(II) De facto controllers

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

Changes in Ordinary Shares and Information of Shareholders (Continued)

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

(II) De facto controllers (Continued)

1. Legal person (Continued)

As at 31 December 2018, equities of other domestic and overseas listed companies (other than the Company) in which the de facto controller held controlling shares or shares were as follows:

No.	Abbreviation of listed company	Securities code	Percentage of CEC's shareholding ^{Note}
1	Shanghai Beiling	600171	25.47%
2	Shenzhen SEDA	000032	58.33%
3	Kaifa	000021	44.51%
4	China Great Wall	000066	41.28%
5	China Software	600536	45.38%
6	Huadong Technology	000727	28.13%
7	Zhenhua Science & Technology	000733	32.94%
8	Irico Display	600707	24.64%
9	China Electronics Huada Technology	00085HK	59.42%
10	TPV Technology	00903HK	37.61%
11	Solomon Systech	02878HK	28.50%
12	IRICO New Energy	00438HK	73.15%
13	China Electronics Optics Valley	00798HK	33.47%

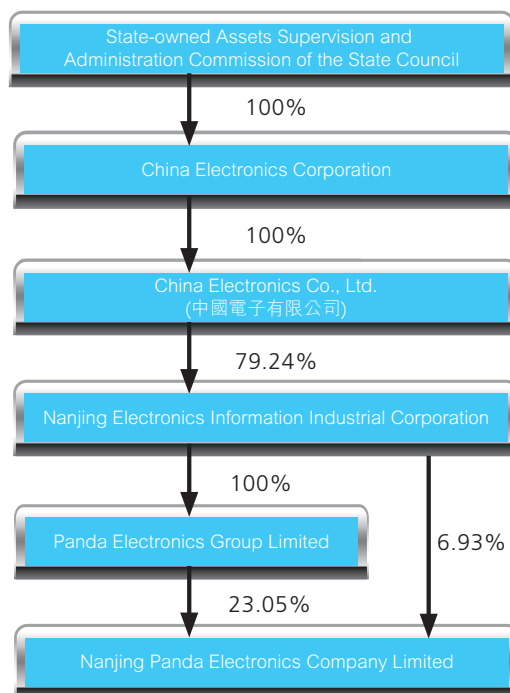
Note: Percentage of CEC's shareholding represents the aggregate of the shareholdings held through relevant connected parties or party acting in concert among the shareholders of listed companies.

Changes in Ordinary Shares and Information of Shareholders (Continued)

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

(II) De facto controllers (Continued)

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



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

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

As at the end of the reporting period, HKSCC (Nominees) Limited held 243,624,955 shares of the Company (including 241,437,570 H shares and 2,187,385 A shares), representing 26.66% of the issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company. Besides, as at 31 December 2018, there is no other legal person shareholders holding 10% or more of shares of the Company.

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

Changes in Ordinary Shares and Information of Shareholders (Continued)

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

As at 31 December 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 recorded in the register pursuant to section 336 of the Securities and Futures Ordinance ("SFO") of the Hong Kong Stock Exchange were as follows: (1) PEGL held 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIC held 49,534,611 domestic shares, accounting for approximately 7.37% of domestic shares in issue and approximately 5.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69% of H shares in issue and approximately 1.51% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. NEIC held 100% equity interest of PEGL and in total held 273,964,055 shares in the Company which was held as corporate interest or in the capacity of beneficial owner, accounting for approximately 29.98% of the total shares in issue. (3) China Huarong held 82,357,867 domestic shares, accounting for approximately 12.26% of domestic shares in issue and approximately 9.01% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) Tang Hanbo (唐漢博) held 22,586,000 H Shares, accounting for approximately 9.33% of H Shares in issue and approximately 2.47% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (5) Lewis Joseph held 20,260,000 H Shares, accounting for approximately 8.37% of H Shares in issue and approximately 2.22% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (6) Tuesday Thirteen Inc., held 16,920,000 H Shares, accounting for approximately 7.00% of H Shares in issue and approximately 1.85% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2018.

Profiles of Directors, Supervisors, Senior Management and Staff

I. Change in Shareholdings and Remuneration

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

As of 31 December 2018, interests of the Directors, supervisors and senior management staff of the Company in the domestic shares of the Company which were recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance (Chapter 571) ("SFO") or notified to the Company or Hong Kong Stock Exchange according to the "Model Code for Securities Transactions by Directors of Listed Issuers" under Appendix X to the Listing Rules are as follows (the nature of such interests is personal interest):

Name	Position	Gender	Age	Effective date of appointment	Expire date of appointment	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Increase/decrease in the number of shares held in the year	Reason for the change	Total remuneration received from the Company during the reporting period (before tax) (RMB'000)	Remuneration received from the connected parties of the Company
Xu Guofei	Chairman Executive Director	M	57	2016-06-30	2021-06-29	2,546	2,546	0		0	YES
	Vice Chairman										
Chen Kuanyi	Executive Director	M	57	2016-06-30	2021-06-29	0	0	0		0	YES
Lu Qing	Non-executive Director	M	54	2006-06-30	2021-06-29	0	0	0		0	YES
Deng Weiming	Non-executive Director	M	55	2010-05-28	2021-06-29	0	0	0		0	YES
Xia Dechuan	Executive Director	M	49	2015-06-30	2021-06-29	0	0	0		-	NO
Gao Gan	Non-executive Director	M	52	2016-06-30	2021-06-29	0	0	0		0	NO
Du Jie	Independent Non-executive Director	F	64	2015-06-30	2021-06-29	0	0	0		13.68	NO
Zhang Chun	Independent Non-executive Director	M	40	2015-06-30	2021-06-29	0	0	0		13.68	NO
Gao Yajun	Independent Non-executive Director	M	44	2018-06-29	2021-06-29	0	0	0		0	NO
Tu Changbai	Chairman of the Supervisory Committee	M	51	2016-06-30	2021-06-29	0	0	0		0	YES
Song Yunfeng	Secretary of the Party Committee and Employee Representative Supervisor	M	55	2016-06-03	2021-06-29	0	0	0		65.24	NO
Zhou Yuxin	Supervisor	M	55	2008-10-28	2021-06-29	0	0	0		27.29	NO
Xia Dechuan	General Manager	M	49	2011-10-24	2021-06-29	0	0	0		72.09	NO
Liu Kun	Deputy General Manager	M	53	2002-08-14	2021-06-29	0	0	0		72.59	NO
Shen Jianlong	Chief Accountant	M	56	2006-04-20	2021-06-29	0	0	0		58.89	NO
Guo Qing	Secretary to the Board	M	57	2013-07-24	2021-06-29	0	0	0		79.20	NO
Hu Huichun	Company Secretary	M	46	2016-05-23	2021-06-29	0	0	0		82.32	NO
Shao Bo	Deputy General Manager	M	39	2016-05-23	2021-06-29	0	0	0		52.35	NO
Chu Wai Tsun, Vincent	Former Independent Non-executive Director	M	45	2012-03-06	2018-06-29	0	0	0		13.68	NO
Total						2,546	2,546	0		551.01	

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

I. Change in Shareholdings and Remuneration (Continued)

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

1. In 2018, the total remunerations of Directors, supervisors and senior management members were RMB5,510,100, which was within the range approved by the general meeting. Of such total remunerations, RMB4,584,800 was for the Directors and senior management, and RMB925,300 was for the supervisors. The above remunerations did not include contributions to the pension scheme for the Directors and supervisors. The pension scheme applicable to relevant Directors and supervisors has been included in the scope of the pension scheme for employees of the Company, with no other special arrangement. Save as above, the Company did not pay any other remuneration, allowance or bonus to the Directors and supervisors, and each of the Directors and supervisors was remunerated within RMB850,000 for the year.
2. In 2018, Independent Non-executive Directors received remuneration from the Company up to RMB410,400. They did not receive remuneration from shareholder entities or other related entities.

Save as disclosed above, as of 31 December 2018, none of the Directors, Supervisors and senior management staff of the Company or their associates had any interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)), (a) which were required to be notified to the Company or the Stock Exchange under Divisions 7 and 8 of Part XV of SFO (including interests or short positions which were regarded or deemed to have pursuant to such provisions of the SFO); or (b) which were required to be recorded in the register required to be kept by the Company under such provision of Section 352 of SFO; or (c) which were required to be separately notified to the Company or the Stock Exchange according to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix X to the Listing Rules. None of the Directors or Supervisors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences

1. Executive Directors

Mr. Xu Guofei, born in 1962, is a senior post-graduate engineer and holds a master's degree in business administration from the Southeast University. Mr. Xu has served as standing Deputy Manager of the Communication Equipment Department and General Manager of the Military Communications Department of PEGE, Deputy General Manager of PEGE and Deputy General Manager and General Manager of NEIC etc. Mr. Xu has been the General Manager of PEGE since November 2004, the General Manager of NEIC from July 2010 to March 2016, assistant to the General Manager of CEC since June 2013, chairman of NEIC since January 2016, and Communist Party Committee Secretary of NEIC from March 2016 to February 2019. Mr. Xu was appointed as the Executive Director and Chairman of the Nanjing Panda Electronics Company Limited in June 2016. Mr. Xu has engaged in the work of development and management of communication technology for a long period and has extensive knowledge of electronics technology and experience in operation management.

Mr. Chen Kuanyi, born in 1962, is a senior engineer at researcher level, graduated from the Department of Electronic Engineering of Northwest Telecommunication Engineering College (currently known as Xidian University) with a bachelor's degree in electronic engineering and from Nanjing University Business School with an EMBA degree. Mr. Chen has successively served as the assistant to the head and Deputy Head of the Research Institute of Electronic Equipment of the State-owned Xinlian Machinery Plant (國營新聯機械廠電子設備研究所), Deputy General Manager of Nanjing Xinlian Electronic Equipment Engineering Company (南京新聯電子裝備工程公司), Deputy Head of the Military Industry Department of the State-owned Xinlian Machinery Plant (國營新聯機械廠軍工部), and Deputy General Manager and standing Deputy General Manager of Nanjing Keruida Electronic Equipment Co., Ltd. (南京科瑞達電子裝備有限責任公司). Mr. Chen has served as an Executive Director and the General Manager of Nanjing Changjiang Electronic Information Industry Group Co., Ltd. from January 2011 to May 2016 and concurrently the Communist Party Committee Secretary of Nanjing Changjiang Electronic Information Industry Group Co., Ltd. from August 2013 to May 2016. He has also served as the General Manager of NEIC from March 2016 to February 2019 and the Deputy Secretary of the Party Committee of NEIC from July 2018 to February 2019. He has served as the head of System Equipment Department of China Electronics Corporation since February 2019. Mr. Chen was appointed as an Executive Director and the Vice Chairman of the Company in June 2016. Mr. Chen Kuanyi has long been engaged in research and design of electronic systems as well as enterprise management, and has extensive expertise and experience in operation and management.

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences (Continued)

1. Executive Directors (Continued)

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

2. Non-executive directors

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

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences (Continued)

2. Non-executive directors (Continued)

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

3. Independent non-executive directors

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

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

Mr. Gao Yajun, born in 1975, is a senior accountant in Hong Kong, Certified Public Accountant in China and Australia, and member of the Chartered Institute of Management Accountants. He graduated from Deakin University in Australia and obtained a master's degree in accountancy in 2002 and has been an executive director and partner in Baker Tilly Hong Kong since February 2010. Mr. Gao has engaged in auditing and consulting work for a long time and has extensive experience in financial management.

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences (Continued)

4. Supervisors

Mr. Tu Changbai, born in 1968, is a senior accountant and holds a bachelor's degree from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) (currently known as Hangzhou Dianzi University) of Industrial Finance and Accounting Department and a master's degree from China Renmin University of Business Administration Department. Mr. Tu has successively served as the Deputy Director-General of the 2nd Office of Financial and Property Rights Management Department, Director-General of 2nd Office of Financial Department and Director-General of Capital Office of Asset Management Department in China Electronics Corporation, the Director-General of Financial Auditing Department in Nanjing Electronics Information Industrial Corporation and the Accountant-General in Nanjing Sanle Electronics Information Industry Group Co., Ltd., etc. Mr. Tu served as the Assistant General Manager and Director-General of Financial Auditing Department in NEIC from February 2009 to May 2011, and the Account-General in NEIC from May 2011 to November 2018. He has been the Account-General in China Rida Investment and Development Group Corp., Ltd. since November 2018. Mr. Tu was appointed as the non-employee representative supervisor and chairman of the Supervisory Committee of the Company in June 2016. Mr. Tu has engaged in the work of corporate financial management and auditing for a long period and has extensive knowledge of finance and auditing and experience in operational management.

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

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences (Continued)

5. Senior management

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

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

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

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

I. Change in Shareholdings and Remuneration (Continued)

(II) Major working experiences (Continued)

5. Senior management (Continued)

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

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

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

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

I. Change in Shareholdings and Remuneration (Continued)

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

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

(I) Positions in shareholder entities

Name	Name of shareholder entity	Position(s)	Effective date of appointment	Expire date of appointment
Xu Guofei	PEGL	General Manager	November 2004	
	NEIC	Chairman	March 2016	
Deng Weiming	PEGL	Deputy General Manager	July 1999	
Lu Qing	PEGL	Deputy General Manager	January 2009	
	NEIC	Deputy General Manager	May 2016	
Chen Kuanyi	NEIC	General Manager	March 2016	February 2019
Tu Changbai	NEIC	Chief Accountant	May 2011	November 2018
Explanations for positions in shareholder entities	N/A			

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

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

(II) Positions in other entities

Name	Name of entity	Position(s)	Effective date of appointment	Expire date of appointment
Xu Guofei	CEC	Assistant to the General Manager	June 2013	
	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman	November 2014	November 2018
Chen Kuanyi	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Director	November 2018	
	CEC	Head of System Equipment Department	February 2019	
Tu Changbai	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Vice Chairman	April 2016	
	China Rida Investment and Development Group Corp., Ltd.	Chief Accountant	November 2018	
Deng Weiming	Nanjing Huadong Electronic Information & Technology Co., Ltd.	Chairman of the Supervisory Committee	April 2016	January 2019
	Nanjing CEC-Panda Home Appliances Co., Ltd.	General Manager	June 2009	
Gao Gan	Nanjing Panda Electronics Import and Export Company	General Manager	January 2011	
	Equity Business Department of China Huarong Asset Management Co., Ltd.	General Manager	June 2012	
Xia Dechuan	Nanjing Ericsson Panda Communication Co., Ltd.	Vice Chairman	April 2016	
	Beijing SE Putian Mobile Communication Co., Ltd.	Vice Chairman	November 2012	
Explanations for positions in other entities	N/A			

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

III. Remunerations of the Directors, Supervisors and Senior Management

Decision making process of remuneration of Directors, Supervisors and Senior Management	According to relevant requirements of the Articles of Association and the Rules of Procedure of the Remuneration and Appraisal Committee, and based on the operating results, scope of work, main duties and other information, the Remuneration and Appraisal Committee shall appraise the actual performance of the Directors and senior management and submit the appraisal result to the Board for consideration. The remuneration of Directors and supervisors shall be determined by general meetings while that of senior management by the Board.
Basis for determination of remuneration of Directors, Supervisors and Senior Management	Basis for determination of remuneration includes: achievement status of major financial indicators and operational targets of the Company, scope of work and main duties of senior management, completion of indicators contained in the position based on performance appraisal system for Directors and senior management, operational performance in respect of business innovation capability and profit making capability of Directors and senior management, and proposed remuneration distribution plan and distribution method based on the Company's performance.
Actual payment of remuneration of Directors, Supervisors and Senior Management	Since the 2018 annual performance appraisal for the senior management of the Company has not been completed yet, the performance payment for 2018 was excluded from the remuneration during the reporting period, whereas the annual performance payment for 2017 was included.
Total remuneration of Directors, Supervisors and Senior Management received at the end of the reporting period	During the reporting period, the total actual remuneration of all Directors, supervisors and senior management was RMB5,510,100 (before tax).

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

IV. Changes in Directors, Supervisors and Senior Management Staff of the Company:

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

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

IV. Changes in Directors, Supervisors and Senior Management Staff of the Company: (Continued)

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

1. On 24 May 2018, the nominations of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Xia Dechuan as candidates for executive directors of the ninth 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 ninth 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 ninth session of the Board of the Company were considered and approved at the seventeenth 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.
2. On 24 May 2018, the nomination of Mr. Tu Changbai as a candidate for the non-employee representative supervisor of the ninth 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 sixteenth meeting of the eighth 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 ninth 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 ninth 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 Appraisal Committee, with Mr. Zhang Chun as the chairman of the Remuneration and Appraisal 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 ninth session of the Board of the Company.

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

IV. Changes in Directors, Supervisors and Senior Management Staff of the Company: (Continued)

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

4. On 29 June 2018, the Company held the first meeting of the ninth 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. On 29 June 2018, 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.
6. Mr. Tu Changbai, the chairman of the Supervisory Committee of the Company, resigned as a supervisor and the chairman of the Supervisory Committee due to change in work arrangements on 27 December 2018. The resignation of Mr. Tu Changbai will result in the number of members of the Supervisory Committee of the Company falling below the minimum quorum. Therefore, Mr. Tu Changbai will continue to perform his duties as a supervisor until the newly elected supervisor assumes office.

On 27 December 2018, the nomination of Mr. Zhong Youxiang as a candidate for non-employee representative supervisor of the ninth session of the Supervisory Committee of the Company was considered and approved at the fourth meeting of the ninth session of the Supervisory Committee of the Company, whose term is in line with the term of the ninth session of the Supervisory Committee and become effective upon the resolution being considered and approved at the general meeting of the Company.

For further details, please refer to the relevant announcements published on the website of the Shanghai Stock Exchange and in China Securities Journal and Shanghai Securities News on 28 December 2018, and on the website of the Hong Kong Stock Exchange on 27 December 2018 by the Company.

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

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

In 2017, Mr. Guo Qing, the deputy general manager of the Company, was subject to administrative penalties (a warning and a fine of RMB30,000) imposed by the Hunan Supervision Bureau of the China Securities Regulatory Commission. For further details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 28 July 2017, 21 December and 27 December 2017 and on the website of the Hong Kong Stock Exchange on 27 July 2017, 20 December 2017 and 27 December 2017 by the Company, respectively.

VI. Details of Staff of the Company and Major Subsidiaries

(I) Details of staff

Number of on-the-job employees of the Company	306
Number of on-the-job employees of major subsidiaries	3,201
Total number of on-the-job employees	3,507
Number of retired staff whose expenses the Company and major subsidiaries shall be responsible for	2,983

Composition of professions

Type of profession	Number of persons
Production staff	1,443
Sales staff	277
Technical staff	1,308
Financial staff	184
Administrative staff	295
Total	3,507

Educational Background

Education level	Number of persons
Masters or above	201
Bachelors	767
Associate degree	1,011
Other	1,528
Total	3,507

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

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

(II) Remuneration policies

In order to effectively mobilize the enthusiasm, initiative and creativity of the staff, the Company formulated the Administrative Measures for Salary Distribution (《工資分配管理辦法》) (revised in June 2018) which has definitely and clearly specified the salary management and salary distribution. The Company implements a position-based remuneration determination policy and enforces varied remuneration systems based on position-based performance salary and the nature of different positions. In particular, an annual salary system is implemented for persons in charge of operating units; position-based performance salary system for administrative and managerial staff; a combination of position-based performance salary and project-based salary system (distribution of allowances or royalties by project) for scientific research staff; base salary plus commission or position-based performance salary system for sales staff; and piece-rate salary or position-based performance salary system for production staff.

(III) Training plan

The Company formulated the Job Training Regulations for Staff (《員工崗位培訓條例》) (revised in June 2018) which has specified that, the Company shall organize surveys on the training demand on a yearly basis, and, based on the survey result, formulate the training plan, which will be implemented upon approval by division leaders and will be targeted at all the staff with focus on the scientific research staff, key personnel in respect of operation, management and production.

(IV) Labor outsourcing

Total hours of labor outsourcing (Hour)	2,573,333.33
Total remuneration paid to labor outsourcing (RMB0'000)	3,860

VII. Others

1. In order to ensure and improve the living standard of staffs after their retirement, establish a multi-level elderly security system, mobilize the enthusiasm of staff, establish a long-term incentive mechanism, enhance the cohesion of the units, and promote the sound and sustainable development of the units, the Company has formulated Implementing Rules for Corporate Annuity Scheme of Nanjing Panda in accordance with relevant regulations and in light of its actual situation. The Rules were implemented upon consideration and approval at the fifteenth meeting of the eighth session of the Board of the Company on 29 March 2018.
2. In 2018, there were no changes in the core technical team or key technical staff (other than the Directors, supervisors and senior management) of the Company which have great impact on the core competitiveness of the Company.

Corporate Governance

I. Explanations on Corporate Governance

In 2018, the Company complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the requirements relating to corporate governance and proper operation issued by the CSRC and the SFC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, in view of its own actual situation, the Company continued to refine its corporate governance structure and internal rules and systems, reinforced management of internal control, optimized the risk management and internal control system and boosted the standard operation level of the Company. The actual corporate governance of the Company was in compliance with the regulative requirements of the Corporate Governance Standards for Listed Companies released by the CSRC. During the reporting period, the Company adopted and tried its best endeavour to comply with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

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

The Company strengthened risk management and internal control systems with its own features based on its production and operation circumstance. Catering to management and operation in accordance with laws and regulations, asset safety, the true and complete financial report and relevant information, improving operating efficiency and results and boosting the achievement of corporate development strategies, the Company formulated the risk detection and assessment standards from quantitative and qualitative perspectives and deemed such as identifying standards for internal control defects. For details of identifying standards, please refer to the 2018 Internal Control Evaluation Report of Nanjing Panda Electronics Company Limited published by the Company on the websites of Shanghai Stock Exchange on 29 March 2019.

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

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

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

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

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

Corporate Governance (Continued)

I. Explanations on Corporate Governance (Continued)

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

Focusing on its principal operations in intelligent manufacturing, smart city and electronic manufacturing services, the Company performed optimization of the corporate resource allocation and adjustment of industrial structure to increase investments in major construction works and key projects and proactively expand external markets. The Company also made efforts to develop its capacities of key core technologies, highly-intelligent manufacturing and marketing & service for industry users. After years of development, the Company has achieved steady improvement in its main business, maintained stable gross profit margin, and improved and increased the major financial indicators and operational targets year after year. During the reporting period, there was no material deficiency or failure in relation to management and control systems of the Company.

Pursuant to relevant regulations and actual operation of the Company, the Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda (《南京熊猫高級管理人員薪酬管理辦法》) and the Significant Information Internal Report System (《重大信息內部報告制度》) were amended by the Company, which placed emphasis on the qualitative criteria for judging significant information and communication mechanism as well as the requirement for timeliness. For details, please refer to the relevant announcements published on the website of Shanghai Stock Exchange on 31 August 2018 and on the website of Hong Kong Stock Exchange on 30 August 2018 by the Company, respectively.

Corporate Governance (Continued)

II. Overview of General Meetings

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

Session of the meeting	Date of the meeting	Query index of the designated website where the resolutions were published	Disclosure date of the resolutions
2017 annual general meeting	29 June 2018	http://www.sse.com.cn http://www.hkex.com.hk	30 June 2018
The first extraordinary general meeting of 2018	28 December 2018	http://www.sse.com.cn http://www.hkex.com.hk	29 December 2018

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

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

Corporate Governance (*Continued*)

III. Performance of Duties by Directors

The eighth session of the Board of the Company was elected at the Company's 2014 annual general meeting held on 30 June 2015, and performed their duties until 29 June 2018. The ninth session of the Board of the Company was elected at the Company's 2017 annual general meeting held on 29 June 2018 to hold office for a term of three years. The ninth session of the Board now consists of nine Directors, three of whom are independent Non-executive Directors (including certified public accountant(s)). The current executive Directors of the ninth session of the Board are Xu Guofei, Chen Kuanyi and Xia Dechuan, among whom Xu Guofei is Chairman. The non-executive Directors are Lu Qing, Deng Weiming and Gao Gan; and the independent non-executive Directors are Du Jie, Zhang Chun and Gao Yajun. Please refer to the biographies of serving Directors set out in Section VII headed "Profiles of Directors, Supervisors, Senior Management and Staff" of this report for details.

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

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

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

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

Corporate Governance (Continued)

III. Performance of Duties by Directors (Continued)

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

Name of director	Independent director or not	Required attendance at Board meetings	Attendance at Board meetings				Absence in person from the Board meetings for two consecutive times	Attendance at general meetings
			Attendance in person	Attendance by way of communications	Attendance by proxy	Absence		
Xu Guofei	No	9	9	7	0	0	No	2
Chen Kuanyi	No	9	9	7	0	0	No	1
Lu Qing	No	9	9	7	0	0	No	2
Deng Weiming	No	9	9	7	0	0	No	2
Xia Dechuan	No	9	9	7	0	0	No	2
Gao Gan	No	9	9	7	0	0	No	0
Du Jie	Yes	9	9	7	0	0	No	2
Zhang Chun	Yes	9	9	7	0	0	No	2
Gao Yajun	Yes	5	5	4	0	0	No	2
Chu Wai Tsun, Vincent	Yes	4	4	3	0	0	No	0

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

Number of Board meetings held in the year	9
Of which: Number of on-site meetings	2
Number of meetings held by way of communication	7
Number of on-site meetings combined with the communication means	0

Corporate Governance (Continued)

III. Performance of Duties by Directors (Continued)

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

In 2018, the Independent Non-executive Directors of the Company did not raise any objection to the resolutions of the Board and other meetings.

In 2018, pursuant to the requirements of the Company Law, the Securities Law, and provisions under the Articles of Association, the System for the Independent Directors of the Company, the independent non-executive directors of the Company diligently and faithfully performed their duties, proactively and carefully attended meetings, prudently and properly exercised their rights to express fair and objective opinions, and fully brought into play their experiences and expertise, devoting much to the improvement of corporate governance and major decisions of the Company, which practically safeguarded the interest of the Company and its shareholders as a whole. For details of performance, please refer to the Report of the Independent Directors of Nanjing Panda Electronics Company Limited for the Year 2018 published on the websites of Shanghai Stock Exchange on 29 March 2019 and on the website of Hong Kong Stock Exchange on 28 March 2019, respectively.

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

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

(I) Audit Committee

The Audit Committee is mainly responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and recommendation to the Board. The Rules of Procedure of the Audit Committee were published on the websites of the Company and the Hong Kong Stock Exchange. Two sessions of Audit Committees of the Company, namely the Audit Committee of the eighth session of the Board and the Audit Committee of the ninth session of the Board, performed their duties in 2018. The Audit Committee of the eighth session of the Board consisted of Mr. Lu Qing, Mr. Deng Weiming, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and was chaired by Ms. Du Jie. The Audit Committee of the ninth session of the Board was formed upon being elected at the first meeting of the ninth session of the Board convened on 29 June 2018. It consists of Mr. Lu Qing, Mr. Deng Weiming, Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun and is chaired by Ms. Du Jie.

Corporate Governance (Continued)

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

(I) Audit Committee (Continued)

During the reporting period, the Audit Committee convened six meetings:

1. The first meeting of 2018 of the Audit Committee of the eighth session of the Board was convened on 28 March 2018 and all members attended the meeting. At the meeting, the committee reviewed the 2017 financial report and agreed to submit such report to the Board for consideration; agreed to re-appointment of BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the Company's auditor for 2018 and to submit the same to the Board for consideration; approved the Resolution related to the Change of the Company's Accounting Policy and Relevant Matters, and agreed to submit the same to the Board for consideration.
2. The second meeting of 2018 of the Audit Committee of the eighth session of the Board was convened on 26 April 2018 and all members of the Audit Committee attended the meeting to review the 2018 first quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
3. On 30 August 2018, the first meeting of 2018 of the Audit Committee of the ninth session of the Board was convened and all committee members attended the meeting. At the meeting, half-yearly financial report for 2018 of the Company was examined and verified. Upon agreement, such was submitted to the Board to be considered. In addition, the committee approved the Resolution related to the Change of the Company's Accounting Policy and Relevant Matters and agreed to submit the same to the Board for consideration.
4. The second meeting of 2018 of the Audit Committee of the ninth session of the Board was convened on 29 October 2018 and all members attended the meeting. At the meeting, the committee reviewed the 2018 third quarterly financial report of the Company, and agreed to submit the same to the Board for consideration.
5. The third meeting of 2018 of the Audit Committee of the ninth session of the Board was convened on 7 November 2018 and all members attended the meeting. At the meeting, the committee considered and approved the continuing connected transactions of the Company for the years 2019 to 2021 and continuing connected transactions on financial cooperation and relevant matters, and agreed to submit the same to the Board for consideration. The members of the committee, Mr. Lu Qing and Mr. Deng Weiming were connected directors and abstained their voting rights on the meeting.

Corporate Governance (*Continued*)

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

(I) Audit Committee (*Continued*)

6. A special meeting of the Audit Committee of the ninth session of the Board on the work regarding Company's 2018 annual report was convened on 28 December 2018. The main contents are as follows:
 - (1) At the meeting, the Audit Committee heard the reports of: the audit plan for the 2018 annual report and the relevant conditions. The Audit Committee required the accountant firm to have sufficient auditing capacity to complete the auditing of the annual report within the scheduled time frame, with high quality and according to the relevant regulations of CSRC; and to enhance testing on key operations and timely report major issues encountered during the auditing process to the Audit Committee. The Audit Committee also required the Company to try its best to coordinate with the accountant firm to conduct 2018 annual report audit, internal control audit and the relevant work; and to maintain communication with the accountant firm for auditing the annual report and forecast the operating results in accordance with the relevant requirements.
 - (2) The management reported to the Audit Committee about the production & operation and the progresses of material matters for the year 2018. The Audit Committee expressed its general satisfaction with the work of the management in 2018. The Audit Committee required the Company to clearly analyze and correctly understand the current situation and difficulties, pay close attention to the complex and severe external economic situation, and realize that China is still in a long period of structural adjustment and transformation. The Audit Committee considers that the Company should adhere to the new development concept, seek improvement in stability, insist on high-quality development, focus on quality and efficiency enhancement, endeavor to promote transformation and upgrading, devote efforts in consolidating lean management, and strive to promote high-quality new development of the Company.
 - (3) At the meeting, the Audit Committee heard the reports of 2018 internal control audit and relevant information. The Audit Committee required the registered accountant for internal control audit to: timely communicate with the Company on the issues raised and provide specific suggestions or opinions for these issues; focus on the approval procedures and information disclosure of key audit matters; and provide guidance to the Company on enforcing a new accounting standard. The Audit Committee also required the internal audit department and the relevant persons in charge shall maintain communication with the registered accountant for internal control audit, provide full support for the internal control audit work and issue audit report; track and implement the matters submitted for attention; and propose and carry out rectification measures.

Corporate Governance (Continued)

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

(I) Audit Committee (Continued)

6. (Continued)

- (4) At the meeting, the Audit Committee heard the reports of: 2018 internal control evaluation work plan and the relevant conditions and provided guidelines on the internal audit work. The Audit Committee expressed its general satisfaction with the work of the internal audit department in 2018. All members participating in the internal control evaluation are required to attach great importance to the internal control evaluation work, pay attention to the appropriateness of the design of the Company's internal control system, devoted efforts in the internal control evaluation, and complete the internal control self-evaluation report. According to internal control evaluation report and internal control audit results, the rectification of internal control defects shall be completed. The Audit Committee required the internal audit department to: conduct supervision and assessment on risks and internal control management of important units, operations and projects; and supervise and urge the rectification of major issues, and timely report to the Audit Committee should a major issue arise.
- (5) The person in charge of finance reported the financial conditions to the Audit Committee. The Audit Committee also required the Company to strengthen risk management and internal control; try its best to complete basic work of financial accounting; attach importance to the management of accounts receivable and inventory and improve the capital usage efficiency, and further enhance management of accounts receivable and control of inventory scale; further improve and clarify the Company's credit and work policies, determine a reasonable amount of guarantee provided for the subsidiary and maintain the credit scale at a reasonable level; and conduct disclosure of connected transactions in an appropriate manner.

In addition, during the process of preparing and disclosing the 2018 annual report of the Company, the Audit Committee conducted various communication with the Company's management, person in charge of finance and the registered accountant for annual audit in accordance with the "Audit Committee's Work Regulation Regarding Annual Report" (《審核委員會年報工作規程》) and received the report on the preparation of 2018 annual report and met with the registered accountant for annual audit. The Audit Committee reviewed audit reports and financial statements and communicated on issues found during the audit process. It emphatically reviewed the key audit matters, accounting policy changes, connected transactions and other important matters. The Company and the registered accountant for annual audit were required to seriously study all the latest provisions of the CSRC and of the relevant annual report as released by the local stock exchange where the Company was listed. The audit and disclosure of annual report were required to be conducted in an appropriate manner.

Corporate Governance (Continued)

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

(II) Nomination Committee

The Nomination Committee is mainly responsible for reviewing the candidates, selection standards and procedure for the Company's directors and senior management members, and making relevant proposals.

1. Board Diversity Policy

The Board adopted the board diversity policy in accordance with the requirement set out in the Corporate Governance Code. Such policy aims to set out the approach to achieve diversity on the Board, thereby the Company revised the terms of reference of the Nomination Committee and the revised Rules of Procedure of the Nomination Committee have been published on the websites of the Company, Shanghai Stock Exchange and Hong Kong Stock Exchange.

Through implementation of the board diversity policy, the efficiency of duty performance of the Board will be further improved, thus facilitating the Board in making scientific decisions on the core business and strategy of the Company and its subsidiaries. The Company will consider the diversification of the Board members in multiple respects while determining the composition of the Board, including (but not limited to) gender, age, cultural and educational background, skills, knowledge and professional experience. The nomination and appointment of all members of the Board will be proposed upon full consideration of the abovementioned measurable objectives, in accordance with the development goal and strategic plan of the Company and in line with the interests of all shareholders. In order to ensure that the board diversity policy is in compliance with the listing rules and being effective, the Nomination Committee will review the policy in due course, discuss any amendments if necessary, and propose such amendments to the Board for approval.

At present, the members of the Board of the Company have diversified professional backgrounds, covering communications, electronics, information, law, finance, etc., have extensive work experiences in manufacturing, finance, education, accountants, lawyers and other intermediary institutions, and maintain the appropriate proportion of women and a certain geographical differences. The composition also gives consideration to the appeal of shareholders. For details of the role and duty of each member of the Board, please refer to the relevant contents as set out in "Section VIII Corporate Governance" in this annual report and for details of the biography of each Director, please refer to the relevant contents as set out in "Section VII Profiles of Directors, Supervisors, Senior Management and Staff" in this annual report.

Corporate Governance (Continued)

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

(II) Nomination Committee (Continued)

2. Nomination Policy

The Company attaches great attention to the knowledge, experience, profession and diversity of the Board to ensure that the Board is diligent and responsible and makes scientific decisions in line with the interests of the Company and all shareholders.

The Nomination Committee shall study and prepare the election criteria and selection procedures and the term of office of Directors and senior management of the Company in accordance with relevant laws and regulations and the Articles of the Company while taking into consideration of the Company's actual circumstances, and the formulated resolutions shall be submitted to the Board for consideration, approval and implementation. For details of the procedure for appointing Directors and senior management, please refer to the Rules of Procedure of the Nomination Committee published on the websites of the Company, Shanghai Stock Exchange and the Hong Kong Stock Exchange.

During the reporting period, the Company elected the ninth session of the Board and appointed senior management members in accordance with the abovementioned nomination policy.

Two sessions of Nomination Committees of the Company, namely the Nomination Committee of the eighth session of the Board and the Nomination Committee of the ninth session of the Board, performed their duties in 2018. The Nomination Committee of the eighth session of the Board of the Company consisted of Mr. Xu Guofei, Mr. Chen Kuanyi, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and was chaired by Mr. Chu Wai Tsun, Vincent. The Nomination Committee of the ninth session of the Board of the Company was formed upon being elected at the first meeting of the ninth session of the Board convened on 29 June 2018. It consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun and is chaired by Mr. Gao Yajun.

Corporate Governance (*Continued*)

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

(II) Nomination Committee (*Continued*)

2. Nomination Policy (*Continued*)

During the report period, the Nomination Committee convened three meetings:

1. The Company convened the first meeting of 2018 of the Nomination Committee of the eighth session of the Board on 28 March 2018 and all members attended the meeting. The following resolutions were passed at the meeting: (1) The structure, size and composition of the Board (including skills, knowledge and experience) basically matched the Company's operational activities, assets scale, equity structure, etc. It was suggested to further improve the corporate governance structure and effectively level up the standard governance of the Company according to the relevant national regulations and the Company's actual operational needs. (2) The Independent Non-executive Directors of the Company were in compliance with the independence-related requirements of CSRC, SFC, Shanghai Stock Exchange and Hong Kong Stock Exchange. (3) The senior management members of the Company had the necessary professional skills to perform their duties. (4) All Directors and senior management members should conscientiously study the relevant regulations of the regulators on trading Company's stocks to ensure compliance of the procedures and full disclosure of information.
2. The Company convened the second meeting of 2018 of the Nomination Committee of the eighth session of the Board on 24 May 2018 and all members attended the meeting. It is agreed to nominate Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Deng Weiming, Mr. Xia Dechuan and Mr. Gao Gan as director candidates of the ninth session of the Board of the Company; agreed to nominate Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun as independent director candidates of the ninth session of the Board of the Company; agreed to submit the abovementioned nominations to the Board for consideration.
3. The Company convened the first meeting of 2018 of the Nomination Committee of the ninth session of the Board on 29 June 2018 and all members attended the meeting. It is agreed to nominate Mr. Xia Dechuan as the candidate for general manager of the Company, Mr. Shen Jianlong as the candidate for Chief Accountant and Secretary to the Board, and Mr. Liu Kun, Mr. Guo Qing, Mr. Hu Huichun and Mr. Shao Bo as the candidates for deputy general managers of the Company, and submit the same to the Board for discussion.

Corporate Governance (Continued)

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

(III) Strategy Committee

The Strategy Committee is mainly responsible for studying the Company's long-term development strategies and major investment decisions and making recommendations. The Rules of Procedure of the Strategy Committee have been published on the website of the Company. Two sessions of Strategy Committee of the Company, namely the Strategy Committee of the eighth session of the Board and the Strategy Committee of the ninth session of the Board, performed their duties in 2018. The Strategy Committee of the eighth session of the Board consisted of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Xia Dechuan and Mr. Chu Wai Tsun, Vincent and was chaired by Mr. Xu Guofei. The Strategy Committee of the ninth session of the Board was formed upon being elected at the first meeting of the ninth session of the Board convened on 29 June 2018. It consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Xia Dechuan and Mr. Gao Yajun and is chaired by Mr. Xu Guofei. The Strategy Committee convened its first meeting for 2018 on 28 March 2018 and all members attended the meeting. The following resolutions were passed at the meeting:

1. As directed by relevant industry policies and industrial development plans of the PRC, the Company grasped the historical opportunity that the PRC strived to develop intelligent manufacturing industry, promote the construction of smart cities and implement the strategies of "Internet Plus", military-civilian integration and transformation & development of the information communication industry in order to fully drive the industrial strategic transformation and management innovation.
2. The Company will integrate the "Internet Plus" in depth and strengthen the integrated development of military and civil products by means of structural adjustment, quality and efficiency enhancement, consolidation and reorganization and asset-backed securitization, etc. to develop synergies and economies of scale as soon as practicable, promote the transformation and upgrade of intelligent manufacturing and smart city industries and achieve leap-forward development
3. The Company will also make efforts to develop its capacities in breakthroughs of key core technologies, highly-intelligent manufacturing, marketing & service for industry users, capital operation and merger and reorganization, and attraction and cultivation of leading innovative talents.

Corporate Governance (Continued)

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

(III) Strategy Committee (Continued)

4. The Company will promote transformation of its business model, transforming from a supplier merely providing equipment and engineering to a modern enterprise with providing whole products, large system and general operating service provider, from researching and manufacturing of terminal products to R&D structure with researching and manufacturing of key components, core underlying technologies and system equipment in the upstream. The Company is about to conduct lean manufacturing based on big data analysis under the intelligent factory model which will gradually replace the traditional manufacture and operation model relying on orders. It will transform its marketing model from sales of single unit/set of or auxiliary hardware products to sales of software and hardware products as well as comprehensive solutions with proprietary intellectual properties; transform its operational model from subsidiaries fighting alone to cooperative engagement of all subsidiaries by integrating its internal resources and aggregating our overall advantages; transform its profit-making method from undertaking single project to mainly undertaking system engineering as a general contractor.
5. The Company will further increase its presence in the Internet Plus market, fully utilize the Internet Plus concept in optimizing its production organization, resource allocation, product forms and business model, and facilitate the deep fusion between the Internet technologies and our research and design, production control, supply chain management and marketing of electronic products.
6. The Company will fully leverage on its advantage in military-civilian integration in the communications equipment fields, research and develop military-civilian integration related products and focus on fostering the capacities in research and development, design and manufacturing of the new generation of integrated emergency communication system and civilian satellite mobile communication system equipment.

Corporate Governance (Continued)

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

(IV) Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee is mainly responsible for formulating and reviewing remuneration policies and plans for Directors and senior management of the Company; and developing evaluation standards for them and conducting such evaluation. The Rules of Procedure of the Remuneration and Appraisal Committee have been published on the websites of the Company and the Hong Kong Stock Exchange. Two sessions of Remuneration and Appraisal Committee of the Company, namely the Remuneration and Appraisal Committee of the eighth session of the Board and the Remuneration and Appraisal Committee of the ninth session of the Board, performed their duties in 2018. The Remuneration and Appraisal Committee of the eighth session of the Board consisted of Mr. Xia Dechuan, Mr. Gao Gan, Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun and is chaired by Mr. Zhang Chun. The Remuneration and Appraisal Committee of the ninth session of the Board was formed upon being elected at the first meeting of the ninth session of the Board convened on 29 June 2018. It consists of Mr. Xu Guofei, Mr. Chen Kuanyi, Mr. Lu Qing, Mr. Xia Dechuan and Mr. Gao Yajun and is chaired by Mr. Xu Guofei.

1. The Company convened the first meeting of the Remuneration and Appraisal Committee of the eighth session of the Board for 2018 on 28 March 2018 and all members attended the meeting. At the meeting, performance of duties by the then Directors and senior management was evaluated and the remuneration policy and system for Directors and senior management of the Company was discussed. (1) According to the evaluation results, the 2017 annual remuneration before tax of Directors and senior management of the Company was approved. (2) According to relevant regulations, it was agreed to revise the Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda (《南京熊猫高級管理人員薪酬管理辦法》) and proposed to submit the revised document to the Board for consideration. (3) According to the current allocation and duty division of senior management of the Company, and based on the operation situation and development needs of the Company, it proposed the cap of total annual remuneration of the Directors, supervisors and senior management of RMB6.8 million so as to determine the remuneration of relevant Directors from 1 January 2018 to the expiry of the eighth session of the Board and senior management member whose terms are same with the eighth session of the Board based on the new cap, and submitted the same to the Board for consideration.
2. The Company convened the second meeting of the Remuneration and Appraisal Committee of the eighth session of the Board for 2018 on 24 May 2018 and all members attended the meeting. According to the current allocation and duty division of senior management of the Company, and based on the operation situation and development needs of the Company, it proposed to determine the remuneration of the ninth session of the Board within the cap of total annual remuneration of the Directors, supervisors and senior management of RMB6.8 million, and submitted the same to the Board for consideration.

Corporate Governance (Continued)

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

(IV) Remuneration and Appraisal Committee (Continued)

In 2018, the Remuneration and Appraisal Committee conducted several communications and discussions in respect of the matters such as 2017 annual performance salary, specific work appraisal and holiday system of senior management members of the Company, heard the report of relevant departments of the Company, reviewed relevant appraisal materials and the Company's regulations, delivered objective and fair opinions, agreed relevant resolutions and required the Company to further refine the appraisal indicators and actively explore the appraisal incentive schemes.

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

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

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

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

Corporate Governance (Continued)

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

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

The Measures Regarding Remuneration Composition of Senior Management Officers of Nanjing Panda (《南京熊猫高級管理人員薪酬管理辦法》) was formulated by the Company, whereby the matters concerning the remuneration composition, basis for confirmation, contents for verification, calculation method and encashment procedures and others were defined, senior management officers were encouraged to take initiatives and the Company's development was facilitated.

VIII. Self-assessment Report on the Internal Control

According to the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Content and Format of Annual Reports (Revision 2017) (《公開發行證券的公司信息披露內容與格式準則第2號—年度報告的內容與格式(2017年修訂)》) of the CSRC and the Notice on the Preparation of 2018 Annual Reports by Listed Companies (《關於做好上市公司2018年年度報告披露工作的通知》) issued by the Shanghai Stock Exchange, the Board of the Company has prepared the Self-assessment Report on the Internal Control of the Company for 2018, which was disclosed along with the 2018 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 29 March 2019 and on the website of Hong Kong Stock Exchange on 28 March 2019 by the Company, respectively. There was no significant deficiency in internal control in relation to financial report of the Company, nor was any significant deficiency in internal control in relation to non-financial report identified.

IX. Auditors' Report on Internal Control

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to audit the effectiveness of the internal control relating to the financial report of the Company, which issued the auditors' report with standard unqualified audit opinions. The auditor's report was disclosed along with the 2018 annual report. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange on 29 March 2019 and on the website of Hong Kong Stock Exchange on 28 March 2019 by the Company, respectively.

Corporate Governance (Continued)

X. Others

(I) Chairman and Chief Executive Officer

The main duties of Chairman of the Board are to preside over the shareholders' meeting and convene the Board meetings, and to inspect the actual implementation of resolutions passed by the Board (Details are set out in Article 143 of Chapter 10 of the Articles of Association). Mr. Xu Guofei was elected the Chairman of the Board of the Company at the first meeting of the ninth Session of the Board held on 29 June 2018. During the reporting period, Mr. Xu Guofei, the Chairman and non-executive Directors (including independent non-executive Directors) convened a meeting where executive Directors and senior management were not present. The Chairman will convene meetings with independent non-executive Directors and non-executive Directors respectively where executive directors and senior management will not be present.

The General Manager (Chief Executive Officer) is responsible to the Board. His principal duties include presiding over the production, operation and management of the Company, to organize the implementation of resolutions of the Board, to organize the implementation of the annual operation plan and investment proposal (Details are set out in Article 161 of Chapter 12 of the Articles of Association). Mr. Xia Dechuan was re-appointed as the General Manager of the Company at the first meeting of the ninth session of the Board on 29 June 2018.

(II) Auditors' remuneration

BDO China Shu Lun Pan Certified Public Accountants LLP was engaged as the Company's international auditor, PRC auditor and internal control auditor for 2018. Remuneration paid by the Company for its audit services for the annual report (including the internal control audit service) was RMB2,100,000, among which RMB1,620,000 was paid to international and PRC auditors and RMB480,000 to the internal control auditor.

(III) Communications with Shareholders and Investor Relations

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

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

Corporate Governance (Continued)

X. Others (Continued)

(IV) Shareholders Rights

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

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

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

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

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

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

(V) Dividend Policy

The Company focuses on the long-term and sustainable development while taking into consideration the needs of its operation and shareholders. It made systemic arrangements for the Company's profit distribution to ensure the continuity and stability of its policy on profit distribution. For the Company's profit distribution policy and relevant details, please refer to the relevant part of "Section V Significant Events" in this annual report as well as the Articles of Association of the Company and the Plan for Return of Shareholders of Nanjing Panda (2019–2021) (《南京熊猫股东回报规划(2019–2021)》) published on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Corporate Governance (Continued)

X. Others (Continued)

(VI) Inside Information Management and the Relevant Situation

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

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

In order to enhance the quality of information disclosure and ensure the truthfulness, accuracy and completeness of the information disclosed in the annual report, the Company established the Accountability System for Major Disclosure Errors in Annual Report. The Board of the Company would impose administrative or financial penalties on relevant responsible persons according to the seriousness of the matter, e.g. correction of major accounting errors and supplementation of omitted major information and correction of results prediction, which take place in the information disclosure in the annual report. There was no major error found in information disclosure in the 2018 annual report. During the reporting period, there was no correction of major accounting errors and supplementation of omitted major information and correction of results prediction.

Financial Report

This 2018 Financial Report of the Company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP pursuant to Accounting Standard for Business Enterprises, and standard unqualified audit report was issued.

Auditors' Report

Xin Kuai Shi Bao Zi [2019] No. ZG10699

To the shareholders of Nanjing Panda Electronics Company Limited:

I. Audits' opinion

We have audited the accompanying financial statements of Nanjing Panda Electronics Company Limited (hereinafter as "the Company" or "Nanjing Panda"), which comprise the consolidated and company balance sheets as at 31st December 2018, the consolidated and company income statements, the consolidated and company cash flow statements, and the consolidated and company statements of changes in shareholders' equity for the year of 2018 then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Nanjing Panda as at 31st December 2018 and of its consolidated and company operating results and cash flows for 2018.

II. Basis of auditors' opinion

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

Auditors' Report (Continued)

III. Key audit matters

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

Key audit matters	Audit reaction
<p>(I) Recognition of the revenue</p> <p>Please Refer to Note III. (XXVI) for the accounting standard of recognising revenue and Note V.(XXXIV). for the disclosure of revenue.</p> <p>For the period of 2018, the consolidated main operation revenue of Nanjing Panda is RMB4.483 billion, of which mainly is from the segment of selling industrial robots, Intelligent factory systems engineering, intelligent transportation and intelligent building installation; and the sales of electronic manufacturing products, information network equipment and consumer electronics.</p> <p>The general principle for the Company to recognise revenue is: for intelligent factory system integration, intelligent transportation and building installation services, the performance obligations satisfied over time, and the Company recognises revenue via contract performance schedule and the project progress certificate is used as the basis for revenue confirmation; and for the sales of industrial robots, electronic manufacturing products, information network equipment, and electronic products, the Company recognises revenue when customers obtain control of related products.</p> <p>Since revenue is one of the key performance indicators of Nanjing Panda, there is inherent risk that management will control the timing of revenue recognition in order to achieve specific goals or expectations, so we recognise revenue recognition as a key audit matter.</p>	<p>Our audit procedures for revenue recognition are mainly:</p> <ol style="list-style-type: none">1. We understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls;2. We select the sample to review the sales contract and interview with the management. We also analyse the contract via the "five-step method", judging the composition of the performance obligation and the timing of transferring control rights. Therefore, we can assess whether the policy of Nanjing Panda's sales revenue meets the requirements of the accounting standards;3. In conjunction with audit procedure of accounts receivable confirmation letter, we select a sample of income transactions recorded for the current year, checking the supportive document of revenue recognition, including sales contracts, order for goods, sales invoice, delivery order, shipping documents, equipment receipt, certificate of project progress, signature forms, export documents and etc. in order to check the reality of recognised revenue;

Auditors' Report (Continued)

Key audit matters	Audit reaction
	4. We perform analytical procedures on revenue and cost, including: analysis of revenue, cost, gross profit margin fluctuations in each month of the current period, and perform analytical procedures on main products of revenue, cost, gross profit margin for the current period and comparative analysis of the previous period in order to check the accuracy of recognised revenue;
	5. We sample and check the shipping, goods receipt signature and other supportive documents for the revenue recognition near the balance sheet date in order to evaluate the cut-off of the sales revenue.

IV. Other information

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

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

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

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

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

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

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

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

Auditors' Report (Continued)

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

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

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

- (1) to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) to understand the internal control related to the audit to design the appropriate audit procedures.
- (3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management..
- (4) to draw conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Nanjing Panda to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Nanjing Panda to cease to continue as a going concern.
- (5) to evaluate the overall presentation, structure and content (including disclosure) of the financial statements and to assess whether the financial statements reflect the relevant transactions and events fairly.
- (6) to obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the Nanjing Panda in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

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

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

Auditors' Report *(Continued)*

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

BDO China Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant: Xu Peimei (Project Partner)

Shanghai • China

Certified Public Accountant: Gu Xin

28th March 2019

Consolidated Balance Sheet

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	1,448,751,802.35	1,328,745,296.50
Settlement provisions		
Placement		
Transactional financial assets	360,000,000.00	
Derivative assets		
Notes receivable and accounts receivable	1,271,710,843.86	1,514,714,889.82
Prepayments		
Advance to suppliers	181,267,525.19	248,488,640.75
Premium receivable		
Reinsurance premium receivable		
Reinsurance reserve receivable		
Other receivables	88,573,078.94	79,788,515.23
Financial assets purchased for resale		
Inventories	867,808,744.86	591,018,560.71
Contract assets	360,753,744.24	
Held-for-sale assets		78,387,788.27
Non-current assets due within one year		
Other current assets	34,724,089.13	465,410,493.64
Total current assets	4,613,589,828.57	4,306,554,184.92
Non-current assets:		
Entrusted loans and advances		
Debt investments		
Available-for sale financial assets		3,650,000.00
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	293,775,084.76	332,625,534.79
Other equity instruments investments	3,905,351.83	
Other non-current financial assets		
Investment property	19,461,979.00	8,314,534.74
Fixed assets	826,049,821.47	853,555,020.10
Construction in progress	304,808,394.92	50,659,931.64
Biological assets for production		
Fuel assets		
Intangible assets	109,121,966.50	97,307,446.15
Development expenses		
Goodwill		
Long term deferred expenses	1,289,730.68	3,602,788.29
Deferred income tax assets	12,616,866.25	9,234,045.96
Other non-current assets		
Total non-current assets	1,571,029,195.41	1,358,949,301.67
Total assets	6,184,619,023.98	5,665,503,486.59

Consolidated Balance Sheet (Continued)

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	95,000,000.00	45,000,000.00
Borrowings from central bank		
Placement from banks and other financial institutions		
Transactional financial liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities		
Notes payable and Accounts payable	1,731,819,795.27	1,526,511,390.66
Advances from customers	2,051,740.10	242,767,679.91
Securities sold under agreement to repurchase		
Placement from banks and other financial institutions		
Security trading of agency		
Securities underwriting		
Employee benefits payable	34,316,099.14	30,808,648.21
Taxes and surcharges payable	185,387,137.32	29,450,814.25
Other payables	101,554,174.51	156,119,627.23
Bank charges and Commissions due		
Insurance contract reserves		
Contract liabilities	221,380,505.81	
Liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities	86,456,520.71	27,100,000.00
Total current liabilities	2,457,965,972.86	2,057,758,160.26
Non-current liabilities:		
Insurance contract reserves		
Long term loans		
Bonds payables		
Including: Preferred shares		
Perpetual capital securities		
Long term payables		
Long-term employee benefits payable	24,722,333.29	28,037,472.50
Accrued liabilities	2,900,000.00	
Deferred income	7,050,224.14	7,984,320.10
Deferred income tax liabilities	102,132.39	79,780.30
Other non-current liabilities		
Total non-current liabilities	34,774,689.82	36,101,572.90
Total liabilities	2,492,740,662.68	2,093,859,733.16

Consolidated Balance Sheet (Continued)

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

liabilities and owners' equity	Closing balance	Opening balance
Shareholders' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,470,691,800.13	1,464,043,022.82
Less: treasury stock		
Other comprehensive income	191,513.87	
Special reserve		
Surplus reserve	258,647,274.54	254,995,636.63
General risk reserve		
Undistributed profits	825,055,181.86	730,715,948.32
Shareholders' equity of the parent company	3,468,424,299.40	3,363,593,136.77
Non-controlling interests	223,454,061.90	208,050,616.66
Total shareholders' equity	3,691,878,361.30	3,571,643,753.43
Total liabilities and shareholders' equity	6,184,619,023.98	5,665,503,486.59

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Balance Sheet

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	238,805,153.90	172,698,117.78
Transactional financial assets	310,000,000.00	
Derivative assets		
Notes receivable and accounts receivable	53,407,782.74	83,430,484.10
Prepayments	3,768,695.26	2,793,993.19
Other current assets	295,423,983.44	251,914,483.98
Inventories	20,183,017.20	23,223,302.05
Contract assets		
Held-for-sale assets		78,387,788.27
Non-current assets due within one year		
Other current assets		450,000,000.00
Total current assets	921,588,632.54	1,062,448,169.37
Non-current assets:		
Debt investments		
Available-for sale financial assets		3,650,000.00
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,733,874,170.35	1,782,505,983.43
Other equity instruments investments	3,905,351.83	
Other non-current financial assets		
Investment properties	176,978,570.90	
Fixed assets	64,501,654.72	253,254,688.19
Construction in progress	248,705,534.64	1,539,752.37
Biological assets for production		
Fuel assets		
Intangible assets	13,069,376.80	11,830,656.32
Development expenses		
Goodwill		
Long term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	2,241,034,659.24	2,052,781,080.31
Total assets	3,162,623,291.78	3,115,229,249.68

Balance Sheet (Continued)

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans		
Transactional financial liabilities		
Financial liabilities at fair value through profit and loss		
Derivative financial liabilities		
Notes payable and Accounts payable	38,708,811.11	48,910,348.83
Notes payable and Accounts payable	4,000.00	563,650.00
Employee benefits payable	2,946,015.92	2,075,743.65
Taxes and surcharges payable	153,711,832.83	9,345,731.70
Other payables	154,312,183.92	216,846,128.21
Contract liability		
Contract liabilities		
Holding liabilities for sale		
Liabilities classified as held for sale		
Non-current liabilities due within one year		
Non-current liabilities due within one year		
Other current liabilities		
Other current liabilities		
Total non-current assets	349,682,843.78	277,741,602.39
Non-current liabilities :		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual bond		
long-term payables		
Long-term salary payable	2,998,820.29	3,249,053.43
Estimated liabilities	2,900,000.00	
Deferred revenue		
Deferred tax liability	63,837.96	
Other non-current liabilities		
Total Non-current Liabilities	5,962,658.25	3,249,053.43
Total liabilities	355,645,502.03	280,990,655.82

Balance Sheet (Continued)

31 December 2018 (All amounts in RMB Yuan unless otherwise stated)

liabilities and owners' equity	Closing balance	Opening balance
Shareholders' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,434,870,834.28	1,434,870,834.28
Less: treasury stock		
Other comprehensive income	191,513.87	
Special reserve		
Surplus reserve	258,647,274.54	254,995,636.63
Undistributed profits	199,429,638.06	230,533,593.95
Total shareholders' equity	2,806,977,789.75	2,834,238,593.86
Total liabilities and shareholders' equity	3,162,623,291.78	3,115,229,249.68

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Profit and Loss Statement

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Total operating income	4,500,505,653.14	4,191,928,908.95
Include: Operating income	4,500,505,653.14	4,191,928,908.95
interests income		
Premiums earned		
Income from Bank charges and Commissions		
2. Total operating cost	4,347,390,202.57	4,110,185,883.37
Include: Operating cost	3,777,408,587.41	3,595,891,091.43
interests expenses		
Bank charges and Commissions		
Insurance withdrawal payment		
Net payment from indemnity		
Net provisions for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharge	20,600,188.85	24,613,608.32
Selling expenses	56,473,519.57	56,106,658.38
Administrative expenses	249,028,876.39	217,477,918.64
Research and development expenses	221,663,740.72	205,100,860.95
Financial expenses	6,575,438.13	-5,138,469.04
Including: Interest charges	3,958,244.31	1,597,287.02
Interest income	15,557,845.37	12,220,157.80
Loss in assets impairment	2,209,826.72	16,134,214.69
Credit impairment losses	13,430,024.78	
Add: Other incomes	2,308,119.25	4,301,606.40
Investment income (or less: losses)	62,899,018.84	90,442,743.59
Including: Investment incomes in associates and joint ventures	46,572,091.82	73,489,872.02
Foreign exchange gains (or less: losses)		
Net exposure hedging returns ("-" for losses)		
Gain from fair-value changes (or less: losses)		
Gains on disposal of assets (or less: losses)	-1,178,977.14	-669,559.13
3. Operating profit (losses are represented by "-")	217,143,611.52	175,817,816.44
Add: Non-operating income	37,568,414.64	11,159,641.38
Less: Non-operating expenses	3,707,714.25	688,183.28
4. Total Profit (losses are represented by "-")	251,004,311.91	186,289,274.54
Less: Income tax	38,470,211.64	30,118,010.21
5. Net Profit (losses are represented by "-")	212,534,100.27	156,171,264.33
(1) Classified by the business continuity		
1. Net profit for continued operation (net losses are represented by "-")	212,534,100.27	156,171,264.33
2. Net profit for discontinued operation (net losses are represented by "-")		
(2) Classified by the attribution of the ownership		
1. Profit attributable to the equity shareholders of the Parent company	161,959,568.48	107,382,077.64
2. Non-controlling interests	50,574,531.79	48,789,186.69

Consolidated Profit and loss Statement (Continued)

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
6. Net other comprehensive income after tax	191,513.87	
Net other comprehensive income after tax attributable to the equity shareholders of the Parent company	191,513.87	
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss	191,513.87	
1. Changes as a result of remeasurement of net defined benefit plan liability or asset		
2. Shares of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
3. Net gain on equity instruments at fair value through other comprehensive income	191,513.87	
4. Fair value changes in enterprise's own credit risk		
(2) the comprehensive income which will be reclassified subsequently to profit and loss		
1. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		
2. Net gain on debt instruments at fair value through other comprehensive income		
3. Gain or loss from fair value changes of available-for-sale financial assets		
4. The amount of financial assets reclassified into other comprehensive income		
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
6. Other debt investment credit impairment provision		
7. Cash flow hedging reserve		
8. Currency translation reserve		
9. Other profit or loss to be reclassified *		
Other comprehensive income after tax attributable to minority shareholders		
7. Total comprehensive income	212,725,614.14	156,171,264.33
Total comprehensive income attributable to parent company	162,151,082.35	107,382,077.64
Total consolidated income attributable to minority share-holders	50,574,531.79	48,789,186.69
8. Earnings per share:		
(1) Basic earnings per share	0.1772	0.1175
(2) Diluted earnings per share	0.1772	0.1175

The following notes is the part of financial statement.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Profit and loss Statement

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Total operating income	114,879,391.95	177,717,842.21
Deduct: operating costs	77,946,492.16	129,349,517.92
Business taxes and surcharge	5,310,874.73	5,763,367.06
Selling expenses	3,046,495.07	4,365,245.68
Administrative expenses	103,794,864.39	104,481,729.38
Research and development expenses	23,425,998.17	27,942,452.23
Financial expenses	-6,358,000.30	-695,333.35
Inc. interest expenses		
Interest income	3,493,091.89	4,233,500.11
Loss in assets impairment	282,848.12	-4,342,509.66
Credit impairment losses	-14,950,459.00	
Add: Other income		
Investment income (or less: losses)	95,490,828.99	120,138,609.60
Including: Investment incomes in associates and joint ventures	45,790,347.38	72,918,930.00
Net exposure hedging returns ("-" for losses)		
Gain from fair-value changes (or less: losses)		
Gains on disposal of assets (or less: losses)	-223,732.69	
2. Operating profit (losses are represented by "-")	17,647,374.91	30,991,982.55
Add: Non-operating income	22,043,114.80	1,046,604.99
Less: Non-operating expenses	3,174,110.66	339,184.69
3. Total Profit (losses are represented by "-")	36,516,379.05	31,699,402.85
Less: Income tax		
4. Total Profit (losses are represented by "-")	36,516,379.05	31,699,402.85
1. Net profit for continued operation (net losses are represented by "-")	36,516,379.05	31,699,402.85
2. Net profit for discontinued operation (net losses are represented by "-")		

Profit and loss Statement (*Continued*)

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
5. Net other comprehensive income after tax	191,513.87	
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss	191,513.87	
1. Changes as a result of remeasurement of net defined benefit plan liability or asset		
2. Shares of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
3. Net gain on equity instruments at fair value through other comprehensive	191,513.87	
4. Fair value changes in enterprise's own credit risk		
(2) The comprehensive income which will be reclassified subsequently to profit and loss		
1. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		
2. Net gain on debt instruments at fair value through other comprehensive income		
3. Gain or loss from fair value changes of available-for-sale financial assets		
4. The amount of financial assets reclassified into other comprehensive income		
5. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
6. Other debt investment credit impairment provision		
7. Cash flow hedging reserve		
8. Currency translation reserve		
9. Others		
6. Total comprehensive income	36,707,892.92	31,699,402.85
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

Consolidated Cash Flow Statement

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Item	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	4,531,140,339.58	4,921,811,943.76
Refunds of taxes	90,702,248.63	70,366,170.66
Cash received from relating to other operating activities	166,252,903.23	169,980,976.65
Sub-total of cash inflows from operating activities	4,788,095,491.44	5,162,159,091.07
Cash paid on purchase of goods and services received	3,824,851,268.23	4,124,031,405.27
Cash paid to and on behalf of employees	511,541,677.45	496,916,088.95
Cash paid for all types of taxes	200,344,271.78	171,680,524.43
Cash paid relating to other operating activities	205,795,256.41	211,981,507.41
Sub-total of cash outflows from operating activities	4,742,532,473.87	5,004,609,526.06
Net cash flows from operating activities	45,563,017.57	157,549,565.01
2. Cash flows from investing activities:		
Cash received from disposal of investments	8,895,569.03	
Cash received from return on investments	73,462,367.50	119,920,138.73
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	601,086.21	1,227,610.89
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities	1,550,000,000.00	2,046,000,000.00
Sub-total of cash inflows from investing activities	1,632,959,022.74	2,167,147,749.62
Cash paid on purchase of fixed assets, intangible assets and other long term assets	91,890,318.07	92,319,522.79
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities	1,460,000,000.00	2,248,000,000.00
Sub-total of cash outflows from investing activities	1,551,890,318.07	2,340,319,522.79
Net cash flows from investing activities	81,068,704.67	-173,171,773.17

Consolidated Cash Flow Statement (Continued)

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Item	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	176,288,070.47
Sub-total of cash inflows from financing activities	134,198,666.76	221,288,070.47
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	111,230,033.75	113,444,538.52
Including: bonus and profit paid to minority shareholders by subsidiaries	43,998,639.18	47,384,382.66
Cash paid on other financing activities	285,364.09	1,242,654.96
Sub-total of cash outflows from financing activities	156,515,397.84	154,687,193.48
Net cash flows from financing activities	-22,316,731.08	66,600,876.99
4. Effect of fluctuations in exchange rates on cash	-3,797,914.09	-1,065,472.37
5. Net increase in cash and cash equivalents	100,517,077.07	49,913,196.46
Add: balance of cash and cash equivalents at the beginning of the year	1,191,597,115.73	1,141,683,919.27
6. Balance of cash and cash equivalents at the end of the year	1,292,114,192.80	1,191,597,115.73

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Statement of Cash Flow

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Item	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	123,424,840.18	179,769,825.34
Refunds of taxes		
Cash received from relating to other operating activities	150,767,549.71	147,693,141.55
Sub-total of cash inflows from operating activities	274,192,389.89	327,462,966.89
Cash paid on purchase of goods and services received	75,578,302.03	141,251,250.81
Cash paid to and on behalf of employees	67,662,065.27	69,751,887.63
Cash paid for all types of taxes	15,327,121.89	10,263,219.66
Cash paid relating to other operating activities	222,611,191.81	189,948,980.06
Sub-total of cash outflows from operating activities	381,178,681.00	411,215,338.16
Net cash flows from operating activities	-106,986,291.11	-83,752,371.27
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from return on investments	122,204,799.01	149,913,423.86
Net cash received from the disposal of fixed assets, intangible assets and other long term assets		81,035.44
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities	1,410,000,000.00	1,574,000,000.00
Sub-total of cash inflows from investing activities	1,532,204,799.01	1,723,994,459.30
Cash paid on purchase of fixed assets, intangible assets	5,800,547.24	2,119,552.27
Cash paid for acquisition of investments	20,000,000.00	
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities	1,270,000,000.00	1,735,000,000.00
Sub-total of cash outflows from investing activities	1,295,800,547.24	1,737,119,552.27
Net cash flows from investing activities	236,404,251.77	-13,125,092.97

Statement of Cash Flow (Continued)

The year of 2018 (All amounts in RMB Yuan unless otherwise stated)

Item	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		
Cash received from issuing bonds		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid on repayment of borrowings		
Cash paid on distribution of dividends or profits, or interests expenses	63,968,697.03	64,191,030.36
Cash paid on other financing activities		
Sub-total of cash outflows from financing activities	63,968,697.03	64,191,030.36
Net cash flows from financing activities	-63,968,697.03	-64,191,030.36
4. Effect of fluctuations in exchange rates on cash	426.35	72,156.10
5. Net increase in cash and cash equivalents	65,449,689.98	-160,996,338.50
Add: balance of cash and cash equivalents at the beginning of the year	171,036,014.33	332,032,352.83
6. Balance of cash and cash equivalents at the end of the year	236,485,704.31	171,036,014.33

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Statement of Changes in Equity

2018 (All amounts in RMB Yuan unless otherwise stated)

Items	The current period											Minority shareholders' rights and interests	Total owner's rights and interests		
	Shareholders' equity attributable to the parent company										Subtotal				
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves				Non-controlling interests	Others
Preferred shares		capital securities	Others												
1. Balance at the end of last year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32		3,363,593,136.77	208,050,616.66	3,571,643,753.43
Add: Change in accounting policies															
Correction of previous errors															
Business combination involving enterprises under common control															
Others															
2. Balance at the beginning of this year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32		3,363,593,136.77	208,050,616.66	3,571,643,753.43
3. Change of this year (a decreases represented by "-")					6,648,777.31		191,513.87		3,651,637.91		94,339,233.54		104,831,162.63	15,403,445.24	120,234,607.87
(1) Other comprehensive income							191,513.87						162,151,082.35	50,574,531.79	212,725,614.14
(2) Contribution and reduction of capital by shareholders					6,648,777.31								6,648,777.31	8,827,552.63	15,476,329.94
i. Common stock contribution by shareholders															
ii. Capital contribution by other equity instruments holders															
iii. Amount of share-based payment recorded in the shareholders' equity															
iv. Others					6,648,777.31								6,648,777.31	8,827,552.63	15,476,329.94
(3) Profit distribution								3,651,637.91					-67,620,334.94	-43,998,697.03	-107,967,336.21
i. Transfer to surplus reserves								3,651,637.91					-3,651,637.91		
ii. Transfer to general reserves															
iii. Distributions to shareholders													-63,968,697.03	-43,998,639.18	-107,967,336.21
iv. Others															
(4) Internal transfer of shareholders' equity															
i. Transfer of capital reserve to share capital															
ii. Transfer of surplus reserve to share capital															
iii. Compensation of loss from surplus reserve															
iv. Setting Benefit Plan Change Amount to Transfer Retained Income															
v. Other Comprehensive Income Carry-over Retained Income															
vi. Others															
(5) special reserve															
i. Transfer in current period															
ii. Use in current period															
(6) Others															
4. Balance at the end of the year	913,838,529.00				1,470,691,800.13		191,513.87		258,647,274.54		825,055,181.86		3,468,424,299.40	223,454,061.90	3,691,878,361.30

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Consolidated Statement of Changes in Equity (Continued)

2018 (All amounts in RMB Yuan unless otherwise stated)

Items	The previous period												Minority shareholders' rights and interests	Total owner's rights and interests	
	Shareholders' equity attributable to the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Non-controlling interests				Others
1. Balance at the end of last year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00		3,320,270,553.39	190,129,847.54	3,510,400,400.93
Add: Change in accounting policies															
Correction of previous errors															
Business combination involving enterprises under common control															
Others															
2. Balance at the beginning of this year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00		3,320,270,553.39	190,129,847.54	3,510,400,400.93
3. Change of this year (a decrease represented by "-")					-90,797.23				3,169,940.29		40,243,440.32		43,322,583.38	17,920,769.12	61,243,352.50
(1) Other comprehensive income					-90,797.23						107,382,077.64		107,382,077.64	48,789,186.69	156,171,264.33
(2) Contribution and reduction of capital by shareholders					-90,797.23								-90,797.23	1,729,318.93	1,638,521.70
i. Common stock contribution by shareholders															
ii. Capital contribution by other equity instruments holders															
iii. Amount of share-based payment recorded in the shareholders' equity															
iv. Others					-90,797.23								-90,797.23	1,729,318.93	1,638,521.70
(3) Profit distribution									3,169,940.29		-67,138,637.32		-63,968,697.03	-32,597,736.50	-96,566,433.53
i. Transfer to surplus reserves									3,169,940.29		-3,169,940.29				
ii. Transfer to general reserves															
iii. Distributions to shareholders													-63,968,697.03		
iv. Others															
(4) Internal transfer of shareholders' equity															
i. Transfer of capital reserve to share capital															
ii. Transfer of surplus reserve to share capital															
iii. Compensation of loss from surplus reserve															
iv. Other Comprehensive Income Carry-over Retained Income															
v. Others															
(5) special reserve															
i. Transfer in current period															
ii. Use in current period															
(6) Others															
4. Balance at the end of the year	913,838,529.00				1,464,043,022.82				254,995,636.63		730,715,948.32		3,363,593,136.77	208,050,616.66	3,571,643,753.43

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Statement of Changes in Equity

2018 (All amounts in RMB Yuan unless otherwise stated)

Items	The current period										Total owner's rights and interests
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Non-controlling interests	
		Preferred shares	Capital securities	Others							
1. Balance at the end of last year	913,838,529.00				1,434,870,834.28				254,995,636.63	230,533,593.95	2,834,238,593.86
Add: Change in accounting policies											
Correction of previous errors											
Business combination											
Others											
2. Balance at the beginning of this year	913,838,529.00				1,434,870,834.28				254,995,636.63	230,533,593.95	2,834,238,593.86
3. Change of this year (a decrease represented by "-")							191,513.87		3,651,637.91	-31,103,955.89	-27,260,804.11
(1) Other comprehensive income							191,513.87			36,516,379.05	36,707,892.92
(2) Contribution and reduction of capital by shareholders											
i. Common stock contribution by shareholders											
ii. Capital contribution by other equity instruments holders											
iii. Amount of share-based payment recorded in the shareholders' equity											
iv. Others											
(3) Profit distribution									3,651,637.91	-67,620,334.94	-63,968,697.03
i. Transfer to surplus reserves									3,651,637.91	-3,651,637.91	
ii. Distributions to shareholders										-63,968,697.03	-63,968,697.03
iii. Others											
(4) Internal transfer of shareholders' equity											
i. Transfer of capital reserve to share capital											
ii. Transfer of surplus reserve to share capital											
iii. Compensation of loss from surplus reserve											
iv. Setting Benefit Plan Change Amount to Transfer Retained Income											
v. Other Comprehensive Income Carry-over Retained Income											
iv. Others											
(5) special reserve											
i. Transfer in current period											
ii. Use in current period											
(6) Others											
4. Balance at the end of the year	913,838,529.00				1,434,870,834.28		191,513.87		258,647,274.54	199,429,638.06	2,806,977,789.75

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Statement of Changes in Equity (Continued)

2018 (All amounts in RMB Yuan unless otherwise stated)

Items	The previous period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Non-controlling interests	Total owner's rights and interests
		Preferred shares	Capital securities	Others							
1. Balance at the end of last year	913,838,529.00			1,434,870,834.28					251,825,696.34	265,972,828.42	2,866,507,888.04
Add: Change in accounting policies											
Correction of previous errors											
Business combination											
Others											
2. Balance at the beginning of this year	913,838,529.00			1,434,870,834.28					251,825,696.34	265,972,828.42	2,866,507,888.04
3. Change of this year (a decrease represented by "-")									3,169,940.29	-35,439,234.47	-32,269,294.18
(1) Other comprehensive income										31,699,402.85	31,699,402.85
(2) Contribution and reduction of capital by shareholders											
i. Common stock contribution by shareholders											
ii. Capital contribution by other equity instruments holders											
iii. Amount of share-based payment recorded in the shareholders' equity											
iv. Others											
(3) Profit distribution									3,169,940.29	-67,138,637.32	-63,968,697.03
i. Transfer to surplus reserves									3,169,940.29	-3,169,940.29	
ii. Distributions to shareholders										-63,968,697.03	-63,968,697.03
iii. Others											
(4) Internal transfer of shareholders' equity											
i. Transfer of capital reserve to share capital											
ii. Transfer of surplus reserve to share capital											
iii. Compensation of loss from surplus reserve											
iv. Setting Benefit Plan Change Amount to Transfer Retained Income											
v. Others											
(5) special reserve											
i. Transfer in current period											
ii. Use in current period											
(6) Others											
4. Balance at the end of the year	913,838,529.00			1,434,870,834.28					254,995,636.63	230,533,593.95	2,834,238,593.86

The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Notes to the 2018 Financial Statements

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

I. Information about the company

(I) Company profile

Nanjing Panda Electronics Company Limited (hereinafter as the “Company”) was reorganised by the only initiator of Panda Electronics Group Company Limited under the approval of Ning Ti Gai [1992] No.034 by Nanjing Economic Reform Committee. Panda Electronics Group Company Limited took net assets of RMB480,000,000 in exchange for 480,000,000 shares of state-owned enterprise legal person. The registered capital of the Company was RMB515,000,000, of which 480,000,000 shares (RMB1.00 per share) were held by state-owned enterprise legal person and 35,000,000 shares were held by employees. The Company got the legal enterprise business license of 13488315-2 on 29 April 1992. The principal activities of the Company are radio communication equipment products, radio and television equipment products, hardware and electrical equipment products, electronic components products, instrument and apparatus products, electrical machinery products, standard machinery products, medical equipment products, the development, manufacture and sale of electronic equipment products, electronic computer fitting products, and the development, manufacture and sale of office machinery products and tooling products.

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

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

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

After the approval of Zheng Wei Fa [1996] No. 6 by the Securities Commission of the State Council, the Company issued 242,000,000 H shares and the issue price was HKD2.13 per share. The Company finished the share issue on 29 April 1996 and listed on the Stock Exchange of Hong Kong on 2 May 1996.

After the approval of Zheng Jian Fa [1996] No. 304 by Securities Commission of the State Council on 30 October 1996, the Company issued 23,000,000 normal shares to the public and the issue price was RMB5.10 per share. The Company got the entire fund on 14 November 1996 and listed on the Stock Exchange of Shanghai on 18 November 1996. 5,000,000 out of 35,000,000 shares held by employees were in trade at the same date of issuing and the rest of shares were in trade in the year of 1999.

Notes to the 2018 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

The Company got the legal enterprise business license of Qi Su Ning Zong Fu Zi No. 003947 on 18 April 1997. The registered capital was RMB655,015,000 and the approved businesses were development, manufacture, sales of communication equipment products, computer products and other electronics equipment products; apparatus products, office machinery products; electrical machinery products; plastic products; general equipment products like fan drive, weighing machine, and packing machine; chemical engineering processing products, wood processing products, non-metal processing products, PTD products; environmental equipment products, society public security products; financial and tax control equipment products; power products; molding products; computing service, software products, SI service, property management service; and the after-sale and technology service of above businesses.

The Company received new business license numbered 320100400008823 on 6 January 2011. The registered capital is RMB655,015,000. Approved business include the research, manufacture and sale of the transmission equipment of radio broadcasting and television, together with the after service, technical service, etc., the development, production and sale of communication equipment, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipment; plastic products; general equipment such as fans, scales and packaging equipment; special equipment for the processing of non-metallic products such as chemical and wood; transmission and distribution equipment; environmental, public safety and related equipment; financial and taxation control devices; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the such business. (For those business areas that require permission, business activities are conducted after relevant approval). The registered address is floors 1 and 2 on North side of No. 5 Building, Nanjing High Technology Development District. The legal representative is Xia Dechuan and the parent of the Company is Panda Electronics Group Limited.

In December 2011, China Cinda Asset Management Co., Ltd transferred its 8.87% shareholdings of Panda Electronics Group Co., Ltd (referred to as "PEGL" or "Group" below) to Nanjing Electronics Information Industry Co., Ltd (referred to as "NEIIC").

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

Notes to the 2018 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

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

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

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

I. Information about the company (Continued)

(I) Company profile (Continued)

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

By the end of 31 December 2018, the company totally issued 913,838,529 shares; registered capital is RMB913,838,529.00. Registered address is floors 1 and 2 on North side of No. 5 Building, Nanjing High Technology Development District. The principal activities of the Company are the development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments, apparatus and office machine; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; modelling; computing industry, software industry, system integration; property management; together with the after service and technology service. (As for the items approved legally, the Company can operate the business after the approval of related department). The Parent of the Company is Panda Electronics Group Co., Ltd.

The financial statements were approved for submission by the board of directors on 28th March 2019.

(II) Scope of consolidated financial statements

As of December 31st 2018, the significant subsidiaries in the company 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
Chengdu Panda Electronics Technology Co., Ltd
Nanjing Panda Electronic Equipment Co., Ltd
Nanjing Panda Industrial Enterprise Co., Ltd
Nanjing Panda Electronic Technology Development Co., Ltd
Galant Limited
Shanghai Panda Robot Technology Co., Ltd.

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

Notes to the 2018 Financial Statements (Continued)

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

II. Basis of preparation of financial statements

(I) Preparation of basis

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

(II) Going concern

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

III. Significant accounting policies, accounting estimates

Notes to specific accounting policies and accounting estimates

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

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

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

(II) Accounting period

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

(III) Operating Cycle

The Company's operating cycle is 12 months.

(IV) Reporting currency

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

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

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

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

(VI) Preparation of consolidated financial statements

1. Scope of consolidation

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

2. Consolidation method

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VI) Preparation of consolidated financial statements (Continued)

2. Consolidation method (Continued)

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

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

(1) Acquisition of subsidiaries or business

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VI) Preparation of consolidated financial statements (Continued)

2. Consolidation method (Continued)

(1) Acquisition of subsidiaries or business (Continued)

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

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

(2) Disposal of subsidiaries or business

1. General treatment

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

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

Accounting shall be carried out in accordance with the above principles if the proportion of the shares of the Company is reduced as a result of the increase in the capital of the subsidiary by other investors, thereby losing control of the Company.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VI) Preparation of consolidated financial statements (Continued)

2. General treatment (Continued)

(2) Disposal of subsidiaries or business (Continued)

2. Disposal of subsidiary achieved by stages

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VI) Preparation of consolidated financial statements (Continued)

2. General treatment (Continued)

(3) Acquisition of minority interest of subsidiaries

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

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

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

(VII) Classification of accounting method and the joint arrangements

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(VIII) Determination of cash and cash equivalents

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

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

1. Foreign currency transactions

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

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

2. Translation of foreign currency financial statements

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

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

Notes to the 2018 Financial Statements *(Continued)*

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

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

(X) Financial instruments

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

1. Classification of the financial instruments

According to the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as: Financial assets measured at amortised cost, financial assets measured at fair value through profit or loss, and other financial assets that are measured at fair value through profit or loss. For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as a financial asset (equity instrument) that is measured at fair value and whose changes are included in other comprehensive income. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets, at initial recognition, measured at financial liabilities measured at fair value through profit or loss, and amortised cost.

When meeting the criteria as followed, the Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss:

- (1) It eliminates or significantly reduces a measurement or recognition inconsistency
- (2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel
- (3) The financial liabilities conclude embedded derivatives which can be split separately.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(X) Financial instruments (Continued)

2. Recognition and measurement of financial instruments

(1) Financial assets measured at amortised cost

Financial assets measured at amortised cost include notes receivable and accounts receivable, other receivables, long-term receivables, and debt investment, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Accounts receivable that do not contain significant financing components and accounts receivable that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in the current profit and loss.

(2) Financial assets measured at fair value and whose changes are included in other comprehensive income (debt instruments)

Financial assets (debt instruments) that are measured at fair value and whose changes are included in other comprehensive income include other debt investments, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains and losses calculated using the effective interest method.

When the recognition is terminated, the accumulated gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income and recognised in profit or loss.

(3) Financial assets measured at fair value and whose changes are included in other comprehensive income (equity instruments)

Financial assets measured by fair value and whose changes are included in other comprehensive income (equity instruments), including other equity instruments, are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profits and losses.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

Notes to the 2018 Financial Statements *(Continued)*

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

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

(X) Financial instruments *(Continued)*

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

(4) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value. The financial assets are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

When the recognition is terminated, the difference between the fair value and the initially recorded amount is recognised as investment income, and the gains and losses from changes in fair value are adjusted.

(5) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value, and related transaction expense is recognized in profit or loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are recognised in profit or loss.

When the recognition is terminated, the difference between the fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(6) Financial liabilities measured at amortised cost

Financial liabilities measured at amortized cost include short-term borrowings, bills payable and accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, initially measured at fair value, and related transaction costs are included in the initial recognition amount.

Interest calculated by the effective interest method during the period of holding is included in the current profit and loss.

When the derecognition is terminated, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(X) Financial instruments (Continued)

3. Recognition and measurement of transfer of financial assets

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

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(X) Financial instruments (Continued)

4. Conditions for de-recognition of financial liabilities

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

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(X) Financial instruments (Continued)

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

The Company considers all reasonable and evidenced information, including forward-looking information, to estimate the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value through other comprehensive income, either individually or in combination. The measurement of expected credit losses depends on whether the financial assets have increased significantly since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at the amount equivalent to the expected credit loss for the entire life of the financial instrument; If the credit risk of the financial instrument has not increased significantly since the initial confirmation, the Company measures its loss provision at the amount equivalent to the expected credit loss for the financial instrument over the next 12 months. The increase or return of the loss provision resulting therefrom shall be credited to the current profit or loss as an impairment loss or gain.

Usually more than 30 days overdue, the Company considers that the credit risk of the financial instrument has significantly increased, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of a financial instrument on the balance sheet date is low, the Company does not consider that the credit risk of the financial instrument has increased significantly since its initial recognition.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XI) Provision for bad debt of the accounts receivable

1. Accounts receivable

For accounts receivable, whether it contains significant financing components, the company always measures its loss reserves in accordance with the amount of expected credit losses for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

The accounts receivable of the Company mainly include accounts receivable, long-term receivables and other receivables. If there is objective evidence on the balance sheet date that accounts receivable is impaired, the Company recognises the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flows.

- (1) Accounts receivable that are individually significant and subject to separate provision individually significant accounts receivable:

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

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

The Company assesses individually significant receivables for impairment on individual basis, there is objective evidence date that accounts receivable is impaired, the Company recognises the impairment loss based on the difference between the carrying amount and the present value of estimated future cash flows..

- (2) Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

The reason of choosing the portfolio

The portfolio of aging	The portfolio is in the credit risk characteristic of the aging of accounts receivable
The portfolio of related parties	The portfolio is in the credit risk characteristics of the trading relationship of accounts receivable
The portfolio of deposit	The portfolio is in the credit risk characteristic of the nature of accounts receivable.

The method of accruing bad debt provision

The portfolio of aging	Accruing bad debt provision based on aging
The portfolio of related parties	Other method
The portfolio of deposit	Other method

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

1. Accounts receivable (Continued)
 - (2) Accounts receivable accruing bad debt provision in credit risk characteristic portfolio (Continued)

The Company combines the portfolio of accounts receivables with similar credit risk characteristics and the Company estimates the proportion of accruing bad debt provision based on all reasonable and evidenced information, including forward-looking information:

Aging	Proportion (%)
0-6 months	0
7-12 months	5
1-2 years	10
2-3 years	15
3-4 years	30
4-5 years	50
Over 5 years	100

In the portfolio, other methods are used to accrual provision for bad debts:

When there is objective evidence that the Company will not be able to recover all the amount in accordance with the original terms of the receivables, the impairment test is carried out separately and the provision for bad debts is made based on the difference between the present value of its future cash flow and its book value.

- (3) Accounts receivable which are individually insignificant but subject to separate bad debt provision:

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

2. Other receivables

For the measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

3. For other receivables such as Notes receivable, advanced payment, interests receivable, long-term receivables and etc., the provision for bad debts is made based on the difference between the present value of future cash flows and its book value.

(XII) Inventories

1. Category of inventory

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

2. Determination of cost

Cost of inventories is determined using the weighted average method.

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XII) Inventories (Continued)

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

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

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

(XIII) Contract assets and contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration (except for receivables) that the company has the right to transfer goods or provide services to customers is listed as contract assets; The obligation of the Company to transfer or receivable customers' considerations and to transfer goods or provide services to customers is presented as contract liabilities.

For contract assets, whether they contain significant financing components, the loss preparation is always measured at the amount equivalent to the expected credit loss for the entire life period, and the increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

(XIV) Classified as assets held-for-sale

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

(1) The component must be under the current conditions only according to the usual terms of the sale of such part, then sell immediately;

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XV) Long-term equity investments (Continued)

2. Determination of initial investment cost (Continued)

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

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

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

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

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

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.

Notes to the 2018 Financial Statements *(Continued)*

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

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

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

3. Subsequent measurement and recognition of profit or loss *(Continued)*
 - (2) Long-term equity investment accounted for by equity method *(Continued)*

The 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.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XV) Long-term equity investments (Continued)

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

(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.

Notes to the 2018 Financial Statements *(Continued)*

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

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

(XVI) 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.

(XVII) Fixed assets

1. Conditions for recognition of fixed assets

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

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

2. Method for depreciation

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XVII) Fixed assets (Continued)

2. Method for depreciation (Continued)

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

category	Depreciation method	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	straight line method	20-30.	5	3.17-4.75
Machinery and equipment	straight line method	5-11	0-10	8.18-20.00
Motor vehicles	straight line method	5-10	0-5	9.50-20.00
Electronic equipment	straight line method	2-7	2-10	12.86-49.00
Other equipments	straight line method	2-5	0-10	18.00-50.00

3. Recognition basis and measurement method of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Company and the lesser, assets under finance lease will be recognised:

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

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

Notes to the 2018 Financial Statements *(Continued)*

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

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

(XVIII) 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.

(XIX) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XIX) Borrowing costs (Continued)

2. Capitalisation period of borrowing costs

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

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

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

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

3. Suspension of capitalisation period

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

4. Calculation of capitalisation rate and amount of borrowing costs

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

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

Notes to the 2018 Financial Statements *(Continued)*

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

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

(XX) Intangible assets

1. Valuation method of intangible assets

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

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

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

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

(2) Subsequent measurement

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XX) Intangible assets (Continued)

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

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

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

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

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

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

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

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

4. Specific criteria for capitalisation at development phase.

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXI) 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.

(XXII) Long-term expenses to be amortised

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXIII) Employee Remuneration

1. Method of accounting treatment for short-term remuneration

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

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

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

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXIII) Employee Remuneration (Continued)

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

(2) Defined benefit scheme

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

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

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

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period. When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

3. Method of accounting treatment for termination benefits

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXIV) Estimated liabilities

1. Recognition criteria for estimated liabilities

The Company shall recognise the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

2. Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the liability recognised.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXV) Share-based payment

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

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

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

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

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXV) Share-based payment (Continued)

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

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

(XXVI) Revenue

1. Principle of recognition of revenue

The Company shall determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

If one of the following criteria is met, the Company satisfy a performance obligation over time, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Company performs; (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; (3) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Notes to the 2018 Financial Statements *(Continued)*

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

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

(XXVI) Revenue *(Continued)*

1. Principle of recognition of revenue *(Continued)*

For each performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The Company may not be able to reasonably measure the outcome of a performance obligation, but the entity expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the entity shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The Company shall recognise revenue when the Company satisfies a performance obligation at a point in time by transferring a promised good or service to a customer and customer obtains control of a promised asset. The Company shall consider indicators of the transfer of control, which include the following: (1) The Company has a present right to receive the payment, i.e. a customer has a present right to payment for the asset; (2) The Company has transferred the legal title of the goods to the customer, i.e. the customer already owns the legal title of the goods. (3) The Company has transferred physical possession of the asset, i.e. the customer has possessed the goods; (4) The Company has transferred significant risks and rewards of ownership of an asset to the customer, i.e. the customer has the significant risks and rewards of ownership of the asset; (5) The customer has accepted the goods; (6) Other indications that the customer has obtained control of goods.

2. Principle of measurement of revenue

- (1) The Company measure revenue through allocating the transaction price to each performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (2) If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration by using either of the expected value or the most likely amount. But the transaction price which concludes the variable consideration does not exceed the amount that the accumulative recognised income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXVI) Revenue (Continued)

2. Principle of measurement of revenue (Continued)

- (3) Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when it is assumed that the customer has taken the control of goods or services. The difference between the transaction price and the contract consideration is amortised using the effective interest method during the contract period. On the contract start date, the Company does not consider the major financing components in the contract when it expects that the difference between customer taking control of the purchase of goods or services and the payment of the customer price is not more than one year.
- (4) Where the contract includes two or more performance obligations, the Company shall amortise the transaction price to each individual performance obligation on the contract start date in line with the relative proportion of the individual selling prices of the goods.

3. Specific circumstances of revenue recognition

(1) Revenue recognition at a point in time

The sales of industrial robots, electronic manufacturing products, information network equipment and electronic products and etc. are performance obligations fulfilled at a point in time to recognize revenue. The recognition of the revenue of domestic products should meet the following conditions: the company has delivered the products to the customer based on contract and the customer has accepted the goods; the payment has been recovered or the receipt of goods has been obtained; the relevant economic benefits are likely to flow in; the main risk of ownership of the goods has been transferred, and the legal title of the goods has been transferred. The recognition of the revenue of the exported products should meet the following conditions: the company has declared the goods according to the contract, obtained the bill of lading, has recovered the payment or obtained the receipt certificate and the relevant economic benefits are likely to flow in, and the main risks and rewards of the ownership of the goods have been transferred. The legal title of the goods has been transferred.

(2) Revenue recognition over time

For the service of providing intelligent factory system integration, intelligent transportation and building installation, the Company recognise revenue over time because the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs obligation performance and the Company has the right to ask for payment for the part of the performance that has been completed so far throughout the contract period, unless the performance of the performance cannot be reasonably determined. The Company determines the progress of the performance of the service in accordance with the output method. If the performance of the Company is expected to be compensated if the performance cannot be reasonably determined, the revenue will be recognised according to the amount of cost incurred, until the performance of the performance can be reasonably determined.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXVI) Revenue (Continued)

3. Specific circumstances of revenue recognition (Continued)

(3) others

Others are applicable to rent leasing, property management, etc. Revenue shall be recognized according to the straight line method during the lease period stipulated in the contract

(XXVII) Contractual costs

Contract costs are divided into contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of the contract are recognised as an asset as contract performance costs when the following conditions are met:

1. This cost is directly related to a current or expected contract.
2. This cost increases the resources of the company to fulfill its performance obligations in the future.
3. The cost is expected to be recovered.

The Company shall recognise as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company will account for the current profits and losses when incurred.

For assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. The remaining price expected to be obtained by the transfer of goods or services related to the asset;
2. Estimate costs that will occur in order to transfer the relevant goods or services.

If the above-mentioned asset impairment provision is reversed, the book value of the transferred asset shall not exceed the book value of the asset on the reversal date without presuming the provision for impairment.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXVIII) 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.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXIX) 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.

(XXX) 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.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

(XXX) Leases (Continued)

1. Accounting of operating lease (Continued)
 - (2) Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognised as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the mount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognised over the lease term.

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

(XXXI) Discontinued operation

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

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

1. The change in significant accounting policies

- (1) On June 15, 2018, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Enterprise Financial Statements (Finance (2018) No. 15) and the Interpretation of the Issues Concerning the Format of the Financial Statements of General Enterprises in 2018, and the general corporate financial statement format has been revised. The influence of adopting this policy is as followed:

The content and reasons of changes in accounting policies	Procedure for approval	The items and amount which will be affected
(1) in the balance sheet, the Company reclassified "notes receivable" and "accounts receivable" into the new "receivable notes and accounts receivable"; Reclassify "interest receivable" and "dividend receivable" into "other receivables"; Reclassify "Fixed Assets Cleanup" to "Fixed Assets"; Reclassify "engineering materials" into "construction in progress"; Reclassify "Notes payable" and "Accounts payable" to the new "Notes and accounts payable"; Reclassify "payable interest" and "dividend payable" into "other payables"; And reclassify "special payables" to "long-term payables"; In the income statement, separate the "R&D expenses" under "Management expenses"; and separate the "interest expense" and "interest income" under the "financial expense" item; The enterprise adopts the retrospective adjustment method in accordance with relevant regulations, and adjusts the comparative data of comparable accounting periods accordingly.	Approved by Board of Directors	The Company reclassified "notes receivable" and "accounts receivable" into the new "receivable notes and accounts receivable", the amount of the year of 2018 and 2017 is RMB1,271,710,843.86 and RMB1,514,714,889.82 respectively. Reclassify "Notes payable" and "Accounts payable" to the new "Notes and accounts payable". The amount of the year of 2018 and 2017 is RMB1,731,819,795.27 and RMB1,526,511,390.66 respectively. Increase other accounts receivable of RMB18,859,839.55 and RMB0 for the year of 2018 and 2017 respectively. Increase other accounts payable of RMB4,152,246.79 and RMB3,742,966.79 for the year of 2018 and 2017 respectively. Increase Fixed assets of RMB32,467.60 and RMB0.00 for the year of 2018 and 2017 respectively.
(2) Add "R&D Expenses" to the income statement, reclassify the R&D expenses in the original "Administrative Expenses" to "R&D Expenses" separately; add "Including: Interest Expenses" under the financial expenses in the income statement and "Interest income" item. The comparison data is adjusted accordingly.	Approved by Board of Directors	Decrease administrative expenses of RMB221,663,740.72 and RMB205,100,860.95 and reclassify the above amount to the R&D research.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

1. The change in significant accounting policies (Continued)
 - (2) Implementation of Enterprise Accounting Standards No. 22 – recognition and Measurement of Financial Instruments, Enterprise Accounting Standards No. 23 – transfer of Financial assets, Enterprise Accounting Standards No. 24 – hedging Accounting and Enterprise Accounting Standards 37 – presentation of Financial Instruments (revised in 2017)

In 2017, the Ministry of Finance revised Enterprise Accounting Standards No. 22 – recognition and Measurement of Financial Instruments, and Enterprise Accounting Standards No. 23 – transfer of Financial assets. Enterprise Accounting Standards No. 24 – hedging Accounting and Enterprise Accounting Standards 37 – presentation of Financial Instruments. The revised standards will come into effect on January 1, 2018, and should be adjusted retroactively if the previous recognition and measurement of financial instruments that have not yet ceased to be recognized on the date of operation are inconsistent with the revised standards requirements. Where the data of the prior comparative financial statements are not consistent with the requirements of the revised standards, There is no need to adjust.

Using the new financial instruments guidelines, the company adjusts the financial assets available for sale at the beginning of the period to other equity instrument investment statements at the end of the period, and does not adjust the initial comparison data. The expected credit losses prepared for impairment of various financial instruments according to the new financial instrument criteria are adjusted to the credit impairment loss account, and the comparison data for the previous period are not adjusted.

- (3) Implementing “Accounting Standards for Business Enterprises No. 14 – Revenue” (2017)

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14 – Revenue. The company has been implemented since January 1, 2018. The revised standard stipulates that the first implementation of the standard should adjust the retained earnings at the beginning of the year and other related items in the financial statements based on the cumulative impact, and the information for the comparable period will not be adjusted.

The Company adopted new accounting standards and the Company reclassified the accounts receivable to the contract assets and there is no adjustment for the comparable period. The Company reclassified the advanced receivable to the contract liabilities, and there is no adjustment for the comparable period. There is no significant influence on the financial statement of the Company after adopting new standards.

2. The change in significant accounting estimates

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

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

- The first time implementation of the new financial instrument standard or the new revenue standard for the adjustment of the financial statement related items at the beginning year

Consolidated Balance Sheet

Item	2017.12.31	2018.1.1	Adjustment
Current assets:			
Monetary capital	1,328,745,296.50	1,328,745,296.50	
Settlement reserve			
Due from banks and other financial institutions			
Trading financial assets		450,000,000.00	450,000,000.00
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable and accounts receivable	1,514,714,889.82	1,165,710,493.90	-349,004,395.92
Advances paid	248,488,640.75	248,488,640.75	
Premium receivable			
Reinsurance premium receivable			
Reserve receivable for reinsurance			
Other receivables	79,788,515.23	79,788,515.23	
Securities purchased under agreements to resell			
Inventory	591,018,560.71	591,018,560.71	
Contract assets		349,004,395.92	349,004,395.92
Held-for-sale assets	78,387,788.27	78,387,788.27	
Current portion of non-current asset			
Other current assets	465,410,493.64	15,410,493.64	-450,000,000.00
Total current assets	<u>4,306,554,184.92</u>	<u>4,306,554,184.92</u>	<u>-</u>

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Consolidated Balance Sheet (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Non-current assets:			
Loans and advances			
Debt investment			
Available-for-sale financial assets	3,650,000.00		-3,650,000.00
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	332,625,534.79	332,625,534.79	
Other equity instrument investments		3,650,000.00	3,650,000.00
Other non-current financial assets			
Investment property	8,314,534.74	8,314,534.74	
Fixed assets	853,555,020.10	853,555,020.10	
Construction in progress	50,659,931.64	50,659,931.64	
Productive biological assets			
Oil and gas assets			
Intangible assets	97,307,446.15	97,307,446.15	
Development expenditure			
Goodwill			
Long-term expenses to be amortised	3,602,788.29	3,602,788.29	
Deferred income tax assets	9,234,045.96	9,234,045.96	
Other non-current assets			
Total non-current assets	<u>1,358,949,301.67</u>	<u>1,358,949,301.67</u>	
Total assets	<u>5,665,503,486.59</u>	<u>5,665,503,486.59</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Consolidated Balance Sheet (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Current liabilities			
Short-term borrowings	45,000,000.00	45,000,000.00	
Borrowings from central bank			
Placement from banks and other financial institutions			
Trading financial liabilities			
Financial liabilities measured at fair value through profit and loss			
Derivative financial liabilities			
Notes payable and accounts payable	1,526,511,390.66	1,526,511,390.66	
Advances received	242,767,679.91	2,443,277.74	-240,324,402.17
Securities sold under agreement to repurchase			
Deposits and placements from other financial institutions			
Securities brokering			
Securities underwriting			
Staff remuneration payable	30,808,648.21	30,808,648.21	
Tax payable	29,450,814.25	29,450,814.25	
Other payables	156,119,627.23	156,119,627.23	
Fees and commissions payable			
Reinsurance amount payable			
Contract liabilities		207,176,208.77	207,176,208.77
Held-for-sale liabilities			
Current portion of Non-current liabilities			
Other current liabilities	27,100,000.00	60,248,193.40	33,148,193.40
Total current liabilities	<u>2,057,758,160.26</u>	<u>2,057,758,160.26</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Consolidated Balance Sheet (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Non-current liabilities:			
Reserve insurance contract			
Long-term borrowings			
Bonds payable			
Including: preferred stock perpetual debt			
Long-term payables			
Long-term employee benefits payable	28,037,472.50	28,037,472.50	
Estimate liabilities			
Deferred income	7,984,320.10	7,984,320.10	
Deferred income tax liabilities	79,780.30	79,780.30	
Other non-current liabilities			
Total non-current liabilities	<u>36,101,572.90</u>	<u>36,101,572.90</u>	
Total liabilities	<u>2,093,859,733.16</u>	<u>2,093,859,733.16</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Consolidated Balance Sheet (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Owners' equity:			
Paid-in capital (share capital)	913,838,529.00	913,838,529.00	
Other equity instruments			
Including: preferred stock			
perpetual debt			
Capital reserve	1,464,043,022.82	1,464,043,022.82	
Less: treasury shares			
Other comprehensive income			
Specialised reserve			
Surplus reserve	254,995,636.63	254,995,636.63	
General risk reserve			
Undistributed profit	730,715,948.32	730,715,948.32	
Equity attributable to parent company	3,363,593,136.77	3,363,593,136.77	
Minority interests	208,050,616.66	208,050,616.66	
Total owners' equity	3,571,643,753.43	3,571,643,753.43	
Total liabilities and owners' equity	5,665,503,486.59	5,665,503,486.59	

Notes to the adjustment of each item:

1. Due to the implementation of the new revenue standard, the Company adjusts the eligible accounts receivable to contract assets. When the Company has received the contract consideration or has obtained the right to unconditionally collect the contract consideration, the Company recognised contract liability. Pending Output VAT is recognised as other current liability and revenue is recognised as the sales of goods.
2. Due to the implementation of the new financial instrument standard, the Company will adjust other current assets to trading financial assets and adjust available-for-sale financial assets to other equity instrument investment.

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Balance Sheet of the Company

Item	2017.12.31	2018.1.1	Adjustment
Current assets:			
Monetary capital	172,698,117.78	172,698,117.78	
Trading financial assets		450,000,000.00	450,000,000.00
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable and accounts receivable	83,430,484.10	83,430,484.10	
Advances paid	2,793,993.19	2,793,993.19	
Other receivables	251,914,483.98	251,914,483.98	
Inventory	23,223,302.05	23,223,302.05	
Contract assets			
Held-for-sale assets	78,387,788.27	78,387,788.27	
Current portion of non-current asset			
Other current assets	450,000,000.00		-450,000,000.00
Total current assets	<u>1,062,448,169.37</u>	<u>1,062,448,169.37</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Balance Sheet of the Company (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Non-current assets:			
Debt investment			
Available-for-sale financial assets	3,650,000.00		-3,650,000.00
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	1,782,505,983.43	1,782,505,983.43	
Other equity instrument investments		3,650,000.00	3,650,000.00
Other non-current financial assets			
Investment property			
Fixed assets	253,254,688.19	253,254,688.19	
Construction in progress	1,539,752.37	1,539,752.37	
Productive biological assets			
Oil and gas assets			
Intangible assets	11,830,656.32	11,830,656.32	
Development expenditure			
Goodwill			
Long-term expenses to be amortised			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	<u>2,052,781,080.31</u>	<u>2,052,781,080.31</u>	
Total assets	<u>3,115,229,249.68</u>	<u>3,115,229,249.68</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Balance Sheet of the Company (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Current liabilities:			
Short-term borrowings			
Trading financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable and accounts payable	48,910,348.83	48,910,348.83	
Advances received	563,650.00	563,650.00	
Staff remuneration payable	2,075,743.65	2,075,743.65	
Tax payable	9,345,731.70	9,345,731.70	
Other payables	216,846,128.21	216,846,128.21	
Contract liabilities			
Held-for-sale liabilities			
Current portion of Non-current liabilities			
Other current liabilities			
Total current liabilities	<u>277,741,602.39</u>	<u>277,741,602.39</u>	

Notes to the 2018 Financial Statements (Continued)

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

III. Significant accounting policies, accounting estimates (Continued)

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

3. (Continued)

Balance Sheet of the Company (Continued)

Item	2017.12.31	2018.1.1	Adjustment
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
perpetual debt			
Long-term payables			
Long-term employee benefits payable	3,249,053.43	3,249,053.43	
Estimate liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	<u>3,249,053.43</u>	<u>3,249,053.43</u>	
Total liabilities	<u>280,990,655.82</u>	<u>280,990,655.82</u>	
Owners' equity:			
Paid-in capital (share capital)	913,838,529.00	913,838,529.00	
Other equity instruments			
Including: preferred stock			
perpetual debt			
Capital reserve	1,434,870,834.28	1,434,870,834.28	
Less: treasury shares			
Other comprehensive income			
Specialised reserve			
Surplus reserve	254,995,636.63	254,995,636.63	
Undistributed profit	230,533,593.95	230,533,593.95	
Total owners' equity	<u>2,834,238,593.86</u>	<u>2,834,238,593.86</u>	
Total liabilities and owners' equity	<u>3,115,229,249.68</u>	<u>3,115,229,249.68</u>	

Notes to the adjustment of each item:

Due to the implementation of the new financial instrument standard, the Company will adjust other current assets to trading financial assets and adjust available-for-sale financial assets to other equity instrument investment.

Notes to the 2018 Financial Statements (Continued)

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

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%、6%、5%、3%
City maintenance and construction tax	Based on business tax paid, VAT and sale tax	7%、5%
Enterprise income tax	Based on taxable profits	25%、15%、16.5%、20%

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 Jinghua Trading Co., Ltd	16.50%
Nanjing Panda Electronic Manufacture Co., Ltd.	15.00%
Nanjing Panda Communication Technology Co., Ltd.	15.00%
Nanjing Huage Electronics Plastic Industry Co., Ltd	15.00%
Nanjing Panda Information Industry Co., Ltd.	15.00%
Nanjing Panda Electromechanical Instrument Technology Co., Ltd	15.00%
Shenzhen Jinghua Information Technology Co., Ltd	15.00%
Nanjing Panda Electronic Equipment Co., Ltd.	15.00%
Shenzhen Jingjia Property Management Co., Ltd	20.00%

Notes to the 2018 Financial Statements (Continued)

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

IV. Taxation (Continued)

(II) Tax Preference

1. Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003580). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
2. Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognised as a high-tech enterprise by Jiangsu Science & Technology Commission and other commission on 7 December 2017, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201732003313). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2017 to 31 December 2019.
3. Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a sub-subsiary 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 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832002286). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
5. Nanjing Panda Electromechanical Instrument Technology Co., Ltd, a sub-subsiary of the Company, has passed the review of high-tech enterprise by Jiangsu Science & Technology Commission on 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832002778). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
6. Shenzhen Jinghua Information Technology Co., Ltd, a sub-subsiary of the Company, has passed the review of high-tech enterprise by Guangdong Science & Technology Commission on 9 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201844204258). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.
7. Nanjing Panda Electronic Equipment Co., Ltd, a sub-subsiary of the Company, has passed the application of high-tech enterprise by Jiangsu Science & Technology Commission on 28 November 2018, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No. GR201832001770). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2018 to 31 December 2020.

Notes to the 2018 Financial Statements (Continued)

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

IV. Taxation (Continued)

(II) Tax Preference (Continued)

8. 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, the applicable rate is 20%
9. 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%.
10. According to Article 30 of “Enterprise Income Tax Law of the People’s Republic of China” and Article 95 of “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” and the income tax preference of R&D expenses deduction in 2018, 75% of the actual costs of the R&D expenses shall be additionally deducted before tax payment.
11. The subsidiaries of Galant Limited and Hong Kong China Electronic Jinhua Trading Co., Ltd registered in Hong Kong and apply the local tax rate of 16.5% in the local.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement

1. Monetary Capital

Items	Closing balance	Opening balance
Cash	413,440.88	348,203.19
Bank deposit	1,291,700,751.92	1,191,248,912.54
Other currency	156,637,609.55	137,148,180.77
Total	1,448,751,802.35	1,328,745,296.50
Among: total amount of currency in foreign countries	29,854,369.32	18,638,048.69

The monetary capital which was limited to use by mortgage, pledge, and frozen, or limited to remit to China in foreign countries are as following:

Items	Closing balance	Opening balance
The bank acceptance deposit	76,063,902.67	74,808,590.86
The letter of credit deposit	377,364.14	9,692,195.77
Guarantee deposit	80,196,342.74	52,647,394.14
Total	156,637,609.55	137,148,180.77

2. Trading financial assets

Items	Closing balance
Financial assets measured at fair value through profit or loss	360,000,000.00
Including: debt instrument investment	
Equity instrument investment	
Financial derivative	360,000,000.00
Total	360,000,000.00

3. Notes receivable and accounts receivable

Items	Closing balance	Opening balance
Notes receivable	268,269,716.38	232,310,149.59
Accounts receivable	1,003,441,127.48	1,282,404,740.23
Total	1,271,710,843.86	1,514,714,889.82

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable

3.2.1. Accounts receivable shown by aging

Aging	Closing balance
Within 1 year (including 1 year)	813,839,720.38
Of which: 0-6 months	725,641,282.40
7-12 months	88,198,437.98
1-2 years	134,159,927.69
2-3 years	46,519,427.29
3-4 years	36,902,008.95
4-5 years	2,526,063.17
Over 5 years	9,329,730.51
Total	<u>1,043,276,877.99</u>

Notes: the above amount is without bad debt provisions

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.2. Accounts receivable shown by classification of bad debt provisions

Type	Closing balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable accruing bad debt provision in individual portfolio	233,783,226.75	22.41	22,264,703.00	9.52	211,518,523.75
Of which:					
Accounts receivable with individual significance and accruing bad debt provision individually	189,887,214.14	18.20	16,879,699.05	8.89	173,007,515.09
Accounts receivable with individual insignificance but individually accruing bad debt provision	43,896,012.61	4.21	5,385,003.95	12.27	38,511,008.66
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	809,493,651.24	77.59	17,571,047.51	2.17	791,922,603.73
Of which:					
The portfolio of aging	407,082,120.09	39.02	17,287,845.29	4.25	389,794,274.80
The portfolio of related parties	402,411,531.15	38.57	283,202.22	0.07	402,128,328.93
Total	1,043,276,877.99	100.00	39,835,750.51		1,003,441,127.48

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.2. Accounts receivable shown by classification of bad debt provisions (Continued)

Type	Opening balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	1,062,822,027.01	80.81	17,932,520.29	1.69	1,044,889,506.72
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio					
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	252,448,582.93	19.19	14,933,349.42	5.92	237,515,233.51
Total	1,315,270,609.94	100.00	32,865,869.71		1,282,404,740.23

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.2. Accounts receivable shown by classification of bad debt provisions (Continued)

3.2.2.1. Accounts receivable accruing bad debt provision in individual portfolio

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
Nari Technology Development Limited Company	54,689,834.24	35,822.50	0.07	Expected partly not to be recovered
Nanjing Metro Group Co., Ltd.	19,887,745.51			Expected to be recovered
Nanjing Ninggao Railway Transportation Co., Ltd.	19,012,611.16			Expected to be recovered
Suzhou Rail Transit Group Co., Ltd	16,494,952.19			Expected to be recovered
Bwton Technology Co., Ltd	16,200,000.00			Expected to be recovered
Shijiazhuang Metro Transportation Co., Ltd	16,058,521.89			Expected to be recovered
Nanjing Yougete Communication Equipment Co., Ltd.	14,275,594.00	14,275,594.00	100.00	Expected not to be recovered
Xinjiang Uygur Autonomous Region Press and Publications Bureau of Radio and Television	13,564,150.80	1,988,587.62	14.66	Expected partly not to be recovered
Nanjing Rail Transit Systems Co., Ltd	8,244,046.40			Expected to be recovered
Jiangsu Cable Network Development Co. Ltd Sihong Branch	6,314,000.00	543,650.00	8.61	Expected partly not to be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,145,757.95	36,044.93	0.70	Expected partly not to be recovered
Tianjin Binhai Rail Transit Development Co., Ltd	4,764,220.00			Expected to be recovered
China Cable Television Network Co., Ltd Hainan Branch	4,702,140.00	24,331.00	0.52	Expected partly not to be recovered
China Construction First Building(Group) Corporation Limited	3,625,019.22			Expected to be recovered
Chengdu Rail Transit Group Co., Ltd.	3,276,992.26			Expected to be recovered
Zhangzhou Wanda Plaza Co., Ltd	2,984,602.40			Expected to be recovered
Hefei City Rail Transit Co., Ltd	2,890,306.62			Expected to be recovered
China Union Pay Merchant Services Co., Ltd Anhui Branch	2,437,421.00			Expected to be recovered
Nanjing Metro Operation Co., Ltd.	2,173,201.63			Expected to be recovered
Information Department of A Certain Military Region Command	2,023,000.00	2,023,000.00	100.00	Expected not to be recovered
Sum of other petty amount	15,019,109.48	3,337,672.95	22.22	Expected partly not to be recovered
Total	233,783,226.75	22,264,703.00		

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.2. Accounts receivable shown by classification of bad debt provisions (Continued)

3.2.2.2. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

Type	Closing balance		
	Account receivable	Bad debt provision	Percentage (%)
The portfolio of aging	407,082,120.09	17,287,845.29	4.25
The portfolio of related parties	402,411,531.15	283,202.22	0.07
Total	809,493,651.24	17,571,047.51	

3.2.2.2.1. Accounts receivable accruing bad debt provision in aging portfolio

Aging	Closing balance		
	Carrying amount		Bad debt provision
	Amount	Percentage (%)	
Within 1 year (including 1 year)	347,281,047.79	85.30	1,489,806.00
Of which: 0-6 months	317,484,927.95	77.98	
7-12 months	29,796,119.84	7.32	1,489,806.00
1-2 years	26,953,133.70	6.62	2,695,313.37
2-3 years	13,218,565.31	3.25	1,982,784.80
3-4 years	12,077,962.38	2.97	3,623,388.71
4-5 years	109,717.00	0.03	54,858.50
Over 5 years	7,441,693.91	1.83	7,441,693.91
Total	407,082,120.09	100.00	17,287,845.29

3.2.2.2.2. Accounts receivable accruing bad debt provision in other portfolio

The name of portfolio	Closing balance		
	Account receivable	Percentage (%)	Bad debt provision
The portfolio of related parties	402,411,531.13	0.07	283,202.22
Total	402,411,531.13		283,202.22

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

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

Type	Opening balance	Changes during the period			Closing balance
		Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Other receivables effectively verified	
Accounts receivable accruing bad debt provision in individual portfolio	32,865,869.71	1,988,587.62	12,491,551.58	98,202.75	22,264,703.00
Of which:					
Accounts receivable with individual significance and accruing bad debt provision individually	17,932,520.29	1,988,587.62	3,041,408.86		16,879,699.05
Accounts receivable with individual insignificance but individually accruing bad debt provision	14,933,349.42		9,450,142.72	98,202.75	5,385,003.95
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio		17,571,047.51			17,571,047.51
Of which: Accounts receivable accruing bad debt provision in aging portfolio		17,287,845.29			17,287,845.29
Of which: Accounts receivable accruing bad debt provision in other portfolio		283,202.22			283,202.22
Total	32,865,869.71	19,559,635.13	12,491,551.58	98,202.75	39,835,750.51

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.3. Provision, transfer and recovery of bad debts in the period (Continued)

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

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
China Guangfa Bank Nanjing Branch	683,638.42	Specific provision	The amount has been received	Cash and Bank
Jiangsu Jinling Cellulose Fiber Co., Ltd.	624,500.00	Specific provision	The amount has been received	Cash and Bank
Nanjing Panda Electronics Imp. & Exp. Co., Ltd.	618,855.02	Specific provision	The amount has been received	Cash and Bank
Anhui Guangdian Radio and Television Digital Technology Co., Ltd.	472,567.21	Specific provision	The amount has been received	Cash and Bank
Huozhou No. 2 Junior School	441,800.00	Specific provision	Winning the lawsuit	
Nari Technology Development Limited Company	277,174.82	Specific provision	The amount has been received	Cash and Bank
Kaifeng Ruiya Machinery Co., Ltd.	200,000.00	Specific provision	The amount has been received	Cash and Bank
Total	<u>3,318,535.47</u>			

3.2.4. Accounts receivable effectively verified in the period

Item	The amount incurred in current period
Accounts receivable effectively verified	<u>98,202.75</u>

There is no significant accounts receivable effectively verified in the period

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

3. Notes receivable and accounts receivable (Continued)

3.2. Accounts receivable (Continued)

3.2.5. The top five debtors of accounts receivable at the end of the year

Debtor	Closing balance		Bad debt provision
	Amount	Proportion of total account receivable (%)	
Chengdu China Electronics Panda Display Technology Co., Ltd	101,915,790.71	9.77	
CEC Panda Flat Panel Display Technology Co., Ltd.	84,361,250.24	8.09	
Nanjing Panda Handa Technology Co., Ltd	82,624,701.99	7.92	33,649.21
Nari Technology Development Limited Company	54,689,834.24	5.24	35,822.50
Nanjing CEC Panda LCD Technology Co., Ltd.	54,170,251.31	5.19	
Total	<u>377,761,828.49</u>	<u>36.21</u>	<u>69,471.71</u>

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

3.2.7. At the end of the period, there is no transfer of accounts receivable and continue to be involved in for form to assets and liabilities' situations.

3.2.8. The situation of overdue accounts receivable

Item	Closing balance
Accounts receivable not overdue and not impaired	733,408,789.38
Accounts receivable overdue and not impaired – within 3 months	48,520,508.07
Accounts receivable overdue and not impaired – over 3 months	<u>221,511,830.03</u>
Total	<u>1,003,441,127.48</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

4. Advances paid

4.1. Categorised by age

Aging	Closing balance	
	Amount	Percentage (%)
Within one year (including one year)	156,915,577.79	86.57
One to two years (including two years)	7,802,713.07	4.30
Two to three years (including three years)	7,921,177.50	4.37
Over three years	8,628,056.83	4.76
Total	181,267,525.19	100.00

Aging	Opening balance	
	Amount	Percentage (%)
Within one year (including one year)	202,239,960.73	81.39
One to two years (including two years)	32,629,089.81	13.13
Two to three years (including three years)	8,929,239.77	3.59
Over three years	4,690,350.44	1.89
Total	248,488,640.75	100.00

The main significant advance payment with aging over 1 year amounts to RMB24,351,947.40, most of which is goods and projects payment and not settled due to transportation and projects not finished.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

4. Advances paid (Continued)

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

Receivers of advances	Closing balance	Attributed shares in aggregate closing balance (%)
Harbin Anyudi Machinery Manufacturing Co., Ltd.	30,030,000.00	16.57
JOC International Technical Engineering Co., Ltd	24,270,326.80	13.39
Jiangsu Zhengjie Construction Labor Service Co., Ltd.	13,408,246.80	7.40
Shanghai Aiji Information Technology Co., Ltd.	11,251,234.87	6.21
Dongguan QKM Automation Technology Co., Ltd.	7,764,930.00	4.28
Total	86,724,738.47	47.85

5. Other receivables

Items	Closing balance	Opening balance
Dividend receivable	18,859,839.55	
Other receivables	69,713,239.39	79,788,515.23
Total	88,573,078.94	79,788,515.23

5.1. Dividend receivable

5.1.1. Details of dividend receivable

Items (or investee)	Closing balance	Opening balance
Beijing Sony Ericsson Mobile Communications Co., Ltd	18,859,839.55	
Total	18,859,839.55	

5.1.2. There is no dividend receivable over 1 year.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.2. Other receivables

5.2.1. Other receivables shown by aging

Aging	Closing balance
Within 1 year (including 1 year)	35,251,056.45
Of which: 0-6 months	25,642,871.01
7-12 months	9,608,185.44
1-2 years	7,021,292.26
2-3 years	24,147,598.83
3-4 years	7,968,990.29
4-5 years	1,466,146.11
Over 5 years	2,935,213.76
Total	<u>78,790,297.70</u>

Notes: the above amount is without bad debt provisions

5.2.2. Other receivables classified by nature

Nature of receivables	Carrying amount at the end of the period	Carrying amount in the beginning of the year
Deposit	69,750,495.10	63,058,801.80
Export Refund	4,062,943.92	18,992,849.27
Others	4,976,858.68	1,367,926.96
Total	<u>78,790,297.70</u>	<u>83,419,578.03</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.2. Other receivables (Continued)

5.2.3. Provision, return and recovery of bad debts in this period

Items	Opening balance	The changes of this period			Closing balance
		Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Other receivables effectively verified	
Other receivables accruing bad debt provision in individual portfolio	3,631,062.80	2,322,658.50	833,161.14	228,584.49	4,741,975.67
Of which:					
Other receivables with individual significance and accruing bad debt provision individually	1,295,900.00	1,825,750.00			3,121,650.00
Other receivables with individual insignificance but individually accruing bad debt provision	2,335,162.80	496,908.50	833,161.14	228,584.49	1,770,325.67
Other receivables accruing bad debt provision in credit risk characteristic portfolio		4,185,082.64			4,185,082.64
Of which: Other receivables accruing bad debt provision in aging portfolio		3,260,094.56			3,260,094.56
Of which: Other receivables accruing bad debt provision in other portfolio		924,988.08			924,988.08
Total	<u>3,631,062.80</u>	<u>6,507,741.14</u>	<u>833,161.14</u>	<u>228,584.49</u>	<u>9,077,058.31</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.2. Other receivables (Continued)

5.2.3. Provision, return and recovery of bad debts in this period (Continued)

5.2.3.1. Significant accounts receivable effectively verified in the period

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Suqian City Public Resources Trading Centre	150,000.00	Specific provision	The amount has been received	Cash and Bank
Jinan Supervision Co., Ltd.	150,000.00	Specific provision	The amount has been received	Cash and Bank
Nanjing Current Electronics Co., Ltd	150,000.00	Specific provision	The amount has been received	Cash and Bank
Wuhu Municipal Government Bidding and Purchasing Agency	150,000.00	Specific provision	The amount has been received	Cash and Bank
Total	<u>600,000.00</u>			

5.2.4. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	<u>228,584.49</u>

There is no significant situation of other receivables effectively verified in this period

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

5. Other receivables (Continued)

5.2. Other receivables (Continued)

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

Debtor	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Anhui Garments Import & Export Co., Ltd	Deposit	9,866,644.00	1-3 year	12.52	
Guoxin Tendering Group Co., Ltd	Deposit	8,367,890.00	1-3 year	10.62	
MCT Worldwide LLC	Deposit	6,937,000.00	2-4 year	8.80	3,121,650.00
State Taxation Administration	Tax refund	4,062,943.92	Within 1 year	5.16	
Chengdu Metro Co., Ltd.	Deposit	3,158,921.00	Within 2 year	4.01	
Total		<u>32,393,398.92</u>		<u>41.11</u>	<u>3,121,650.00</u>

5.2.6. There are no other receivables related to government grants at the current period

5.2.7. There is no situation of derecognition of other receivables due to the transferring of financial assets.

5.2.8. There are no transferred other receivables in which the company is involved in management and relevant assets and liabilities formed at the end of the period.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

6. Inventories

6.1. Inventories by category

Item	Closing balance		
	Remaining carrying amount	Inventory impairment provision and contract performance cost impairment provision	Carrying value
Raw materials	322,084,321.11	6,793,423.78	315,290,897.33
Goods in process	47,639,082.55	1,607,160.53	46,031,922.02
Stored commodities	156,663,709.84	12,562,324.72	144,101,385.12
Delivered commodities	108,583,243.61	1,115,560.68	107,467,682.93
Circulating materials	2,554,051.02		2,554,051.02
Contract performance cost	248,927,352.67		248,927,352.67
Consigned commodities	3,435,453.77		3,435,453.77
Total	889,887,214.57	22,078,469.71	867,808,744.86

Item	Opening balance		
	Remaining carrying amount	Inventory impairment provision and contract performance cost impairment provision	Carrying value
Raw materials	142,623,119.28	6,824,171.02	135,798,948.26
Goods in process	294,276,933.15	2,727,459.62	291,549,473.53
Stored commodities	130,555,358.81	12,514,493.42	118,040,865.39
Delivered commodities	25,641,624.11	566,451.91	25,075,172.20
Circulating materials	990,723.42		990,723.42
Contract performance cost			
Consigned commodities	19,563,377.91		19,563,377.91
Total	613,651,136.68	22,632,575.97	591,018,560.71

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

6. Inventories (Continued)

6.2. Inventory impairment provision and contract performance cost impairment provision

Items	Opening Balance	Increment in this period		Reduction in this period		Closing balance
		Provision	Others	Returned	Recovery	
Raw materials	6,824,171.02	1,472,003.70		1,184,528.08	318,222.86	6,793,423.78
Goods in progress	2,727,459.62			255.71	1,120,043.38	1,607,160.53
Stored commodities	12,514,493.42	1,979,191.76		395,475.87	1,535,884.59	12,562,324.72
Delivered commodities	566,451.91	549,108.77				1,115,560.68
Total	<u>22,632,575.97</u>	<u>4,000,304.23</u>		<u>1,580,259.66</u>	<u>2,974,150.83</u>	<u>22,078,469.71</u>

6.3. No capitalised borrowing cost in closing balance

7. Contract assets and contract liabilities

7.1. Details of Contract assets and contract liabilities

Contract assets	
Opening balance	
Increase	1,722,844,742.11
Converted in to accounts receivable in this period	1,360,101,799.23
Contract asset impairment provision	1,989,198.64
Net closing balance	360,753,744.24
Including: listed as contract assets	360,753,744.24
listed as other non-current assets	
Contract liabilities	
Opening balance	
Increase	1,071,512,202.99
Interest adjustment	
The income confirmed in the current period includes the income in the balance at the beginning of the year.	850,131,697.18
Closing balance	221,380,505.81
Including: listed as contractual liabilities	221,380,505.81
listed as other non-current liabilities	

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

7. Contract assets and contract liabilities (Continued)

7.2. Provision for impairment of contract assets in the current period

Items	Provision	reversed or received	Effectively verified	Reason
Kunshan Guoxian Photoelectric Co., Ltd.	694,328.10			There exists risk of recovery
Fuzhou Jingdongfang photoelectric Technology Co., Ltd	535,879.36			There exists risk of recovery
Nanjing Construction Engineering Group Co., Ltd. Olympic Sports Park Project Management Department	270,816.01			There exists risk of recovery
Zhangzhou Wanda Plaza Co., Ltd	95,389.41			There exists risk of recovery
China Construction First Building(Group) Corporation Limited	78,507.28			There exists risk of recovery
Lai'an County Bureau of Culture, Radio, Television Press and Publication	74,000.00			There exists risk of recovery
Shanghai Baoyi Group Co., Ltd.	69,294.55			There exists risk of recovery
Dingyuan County Bureau of Culture, Radio, Television Press and Publication	46,000.00			There exists risk of recovery
Quanjiao County Bureau of Culture, Radio, Television Press and Publication	36,000.00			There exists risk of recovery
Fanchang County Bureau of Culture, Radio, Television Press and Publication	28,000.00			There exists risk of recovery
Yancheng Phoenix Real Estate Co., Ltd.	24,925.93			There exists risk of recovery
Wuhu County Sanshan District Bureau of Culture, Radio, Television Press and Publication	22,000.00			There exists risk of recovery
Dangtu County Bureau of Radio, Television Press and Publication	8,900.00			There exists risk of recovery
Changfeng County Bureau of Culture, Radio, Television Press and Publication	3,758.00			There exists risk of recovery
Wuhu City Jinghu District Bureau of Culture, Radio, Television Press and Publication	1,400.00			There exists risk of recovery
Total	<u>1,989,198.64</u>			

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

8. Held-for-sale assets

Item	Closing balance	Opening balance
Dividend into Held-for-sale assets		78,387,788.27
Divided into held-for-sale assets in a disposal group		
Total		78,387,788.27

9. Other current assets

Items	Closing balance	Opening balance
Bank wealth investment products		450,000,000.00
Input tax to be deducted, Input tax to be credited and Input tax to be certified	32,736,291.48	11,476,211.21
Enterprise Income Tax paid in advance	1,384,758.04	3,728,262.73
Other tax paid in advance	603,039.61	206,019.70
Total	34,724,089.13	465,410,493.64

10. Available-for-sale financial assets

10.1. Available-for-sale financial assets

Items	Opening balance		Carrying Value
	Remaining carrying amount	Provision for impairment	
Available-for-sale debt instrument			
Available-for-sale equity instrument	3,650,000.00		3,650,000.00
Include: measured at fair value			
Measured at cost	3,650,000.00		3,650,000.00

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

11. Long-term equity investments

Investee	Opening balance	The current period changes							Closing balance	provision for impairment loss	Impairment provision at the end of the year
		Increase	Decrease	Under the equity method to confirm the investment profit and loss	Other comprehensive income adjustment	Other equity changes	Declaration of cash dividends or profits	Others			
1. Joint Ventures											
Nil											
Subtotal											
2. Associates											
Nanjing Ericsson Panda Communication Co., Ltd.	225,627,084.00			44,682,030.00			-57,249,208.00		213,059,906.00		
Beijing SE Putian Mobile Communications Co., Ltd	96,780,240.16			1,108,317.38			-18,859,839.55		79,028,717.99		
Nanjing Thales Panda Transportation System Co., Ltd	9,313,494.30	-9,313,494.30									
Shenzhen Jinghua Network Marketing Co., Ltd	653,577.04			773,333.55					1,426,910.59		
Shenzhen Chebao Information Technology Co., Ltd	251,139.29			8,410.89					259,550.18		
Subtotal	332,625,534.79	-9,313,494.30		46,572,091.82			-76,109,047.55		293,775,084.76		
Total	332,625,534.79	-9,313,494.30		46,572,091.82			-76,109,047.55		293,775,084.76		

Note: Nanjing Thales Panda Transportation System Company Limited has finished the procedure of written-off.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

12. Other debt investment

12.1. Details of other debt investment

Item	Closing balance
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.	<u>3,905,351.83</u>
Total	<u><u>3,905,351.83</u></u>

12.2. Details of significant trading equity instrument investment

Item	The dividend recognised in this period	Accumulated profits	Accumulated losses	The amount of other comprehensive income transferred into retained earning	The reason of targeting as financial assets at fair value through comprehensive income	The reason of other comprehensive income transferred into retained earning
Jiangsu Urban Rail Transit Research and Design Institute Co., Ltd.		255,351.83			Non-trading investment	

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

13. Investment property

13.1. Investment properties measured by cost

Items	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	16,893,968.75			16,893,968.75
– acquired				
– inventory/fixed assets transferred from construction in progress	16,893,968.75			16,893,968.75
(3) Decrease in the period				
– disposal				
(4) Closing balance	<u>84,171,722.69</u>			<u>84,171,722.69</u>
2. Accumulated depreciation and accumulated amortisation				
(1) Opening balance	58,963,219.20			58,963,219.20
(2) Increase in the period	5,746,524.49			5,746,524.49
– provision or amortisation	1,222,991.52			1,222,991.52
– transferred in	4,523,532.97			4,523,532.97
(3) Decrease in the period				
– disposal				
(4) Closing balance	<u>64,709,743.69</u>			<u>64,709,743.69</u>
3. Provision for impairment				
(1) Opening balance				
(2) Increase in the period				
– provision				
(3) Decrease in the period				
– disposal				
(4) Closing balance				
4. Carrying Value				
(1) Carrying value at the end of the period	19,461,979.00			19,461,979.00
(2) Carrying value in the beginning of the year	<u>8,314,534.74</u>			<u>8,314,534.74</u>

13.2. There are no investment properties without property certificate

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

Notes to the 2018 Financial Statements

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

V. Notes to key items in consolidated financial statement (Continued)

14. Fixed assets

14.1. Fixed assets and fixed assets cleanup

Item	Closing balance	Opening balance
Fixed assets	826,017,353.87	853,555,020.10
Fixed assets cleanup	32,467.60	
Total	826,049,821.47	853,555,020.10

14.2. Status of fixed assets

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
1. Original carrying value						
(1) Opening balance	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	144,401.74	33,936,082.36	1,754,838.41	11,194,212.24	8,065,404.77	55,094,939.52
– acquired	144,401.74	25,409,774.59	1,494,131.52	10,716,094.19	5,974,670.62	43,739,072.66
– inventory/fixed assets transferred from construction in progress		8,526,307.77	260,706.89	478,118.05	2,090,734.15	11,355,866.86
(3) Decrease in the period	16,893,968.75	9,435,596.92	2,210,192.88	6,533,253.59	2,285,354.68	37,358,366.82
– disposal		9,435,596.92	2,210,192.88	6,533,253.59	2,285,354.68	20,464,398.07
– transferred out	16,893,968.75					16,893,968.75
(4) Closing balance	<u>823,220,033.01</u>	<u>418,318,528.91</u>	<u>28,608,301.51</u>	<u>63,973,672.32</u>	<u>58,771,280.51</u>	<u>1,392,891,816.26</u>
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	26,904,527.08	23,027,519.52	2,777,830.46	9,595,643.82	6,050,004.38	68,355,525.26
– provision	26,904,527.08	23,027,519.52	2,777,830.46	9,595,643.82	6,050,004.38	68,355,525.26
(3) Decrease in the period	4,523,532.97	8,426,936.07	1,729,868.50	6,214,152.65	2,163,981.05	23,058,471.24
– disposal or retired		8,426,936.07	1,729,868.50	6,214,152.65	2,163,981.05	18,534,938.27
– others	4,523,532.97					4,523,532.97
(4) Closing balance	<u>192,118,643.73</u>	<u>280,272,522.40</u>	<u>18,135,962.62</u>	<u>38,882,198.96</u>	<u>37,424,527.11</u>	<u>566,833,854.82</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

14. Fixed assets(Continued)

14.2. Status of fixed assets(Continued)

Items	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
3. Provision for impairment						
(1) Opening balance		10,700.00		52,722.66		63,422.66
(2) Increase in the period – provision						
(3) Decrease in the period – disposal or retired – others				22,815.09		22,815.09
(4) Closing balance		10,700.00		29,907.57		40,607.57
4. Carrying Value						
(1) Carrying value at the end of the period	631,101,389.28	138,035,306.51	10,472,338.89	25,061,565.79	21,346,753.40	826,017,353.87
(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

Note: the amount of depreciation increased in this year is RMB68,355,525.26 and recorded in profit and loss in accordance with beneficiaries. The original carrying value transferred out is due to the transferring from fixed assets to investment properties.

14.3. No temporary idle fixed assets at the end of the period

14.4. Fixed assets operating leased through operating leases

Items	Carrying value at the end of the year
Housing and buildings	11,219,112.26
Machinery and equipment	1,949,216.21
Total	13,168,328.47

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

14. Fixed assets(Continued)

14.5. Fixed assets with unfinished certificate

Items	Carrying value	Reasons for unfinished certificate
Housing and building (Shenzhen Longgang Jinghua Electronic Co., Ltd)	17,512,906.75	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	6,246,864.42	The certificate is in progress

14.6. Fixed asset cleanup

Item	Closing balance	Opening balance
Electronic equipment	<u>32,467.60</u>	
Total	<u><u>32,467.60</u></u>	

14.7. Notes to fixed asset

The situation of fixed assets used in China mainland

Period	Closing balance	Opening balance
Medium-term (10-50 years)	631,101,389.28	670,231,950.40
Short-term (within 10 years)	194,915,964.59	183,323,069.70

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

15. Construction in process

15.1. Construction in process

Item	Closing balance	Opening balance
Construction in process	304,808,394.92	50,659,931.64
Construction materials		
Total	304,808,394.92	50,659,931.64

15.2. Status of construction in progress

Items	Closing balance			Opening balance		
	Remaining carrying amount	Provision for impairment	Carrying value	Remaining carrying amount	Provision for impairment	Carrying value
Block A of Research Centre of Block (First project of Land No. 301)	243,442,804.73		243,442,804.73			
Digitalised factory of industrial robot manufacturing project	49,528,065.32		49,528,065.32	47,344,635.98		47,344,635.98
Machinery and Equipment	4,800,000.00		4,800,000.00	1,162,963.30		1,162,963.30
Second Stage of SAP	2,319,713.81		2,319,713.81			
Intelligent City Exhibition Hall Construction Project	1,935,101.25		1,935,101.25			
Intelligent City Showroom Multimedia Display System	1,007,914.85		1,007,914.85			
Supporting Facilities for Electronic Equipment Industry	143,215.69		143,215.69	126,117.19		126,117.19
Others	1,631,579.27		1,631,579.27	486,462.80		486,462.80
SAP-ERP System				1,539,752.37		1,539,752.37
Total	304,808,394.92		304,808,394.92	50,659,931.64		50,659,931.64

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

15. Construction in process (Continued)

15.3. Changes in key construction in progress (Continued)

Project	Budget	Opening balance	Increase in the period	Amount	Other	Closing balance	Ratio of	Progress of construction	Accumulated amount of capitalised interest	Including: capitalised amount if	Rate of	Source of funding
				transfer to fixed assets in the period	decreased amount in the period		accumulated contribution to the construction to budget				capitalisation of interest in the period	
Block A of Research Centre of Block (First project of Land No. 301)	/		243,442,804.73			243,442,804.73						Owned fund
Digitalised factory of industrial robot manufacturing project	55,000,000.00	47,344,635.98	9,230,223.74	7,046,794.40		49,528,065.32	90.05	90.05				Owned fund
Machinery and Equipment	/	1,162,963.30	5,116,550.07	1,479,513.37		4,800,000.00						Owned fund
Second Stage of SAP	/		2,319,713.81			2,319,713.81						Owned fund
Intelligent City Exhibition Hall Construction Project	/		1,935,101.25			1,935,101.25						Owned fund
Intelligent City Showroom Multimedia Display System	/		1,007,914.85			1,007,914.85						Owned fund
Supporting Facilities for Electronic Equipment Industry	55,870,000.00	126,117.19	17,098.50			143,215.69	0.26	0.26				Owned fund
Others	/	1,539,752.37			1,539,752.37		100.00	100.00				Owned fund
SAP-ERP System	178,100,000.00	486,462.80	4,454,343.49	2,829,559.09	479,667.93	1,631,579.27						Owned fund
Total		50,659,931.64	267,523,750.44	11,355,866.86	2,019,420.30	304,808,394.92	/	/				

Note: The project of Block A of Research Centre of Block (First project of Land No. 301) is a project that was non-monetary assets exchanges from Panda Electronics Group Co., Ltd., and the Centre is under decoration.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

16. Intangible assets

16.1. Status of intangible assets

Items	Land use right	Trademark use rights	Computer software	Patents	Software copyright	Non-patented technology	Total
1. Original carrying value							
(1) Opening balance	91,907,351.90	158,340,000.00	10,092,398.78	30,105.00	2,890,677.10	26,088,445.36	289,348,978.14
(2) Increase in the period			4,595,749.04		6,877,349.39	8,389,656.56	19,862,754.99
– acquired			4,595,749.04		1,284,245.02		5,879,994.06
– internal research and development					5,593,104.37	8,389,656.56	13,982,760.93
(3) Decrease in the period							
– disposal							
(4) Closing balance	<u>91,907,351.90</u>	<u>158,340,000.00</u>	<u>14,688,147.82</u>	<u>30,105.00</u>	<u>9,768,026.49</u>	<u>34,478,101.92</u>	<u>309,211,733.13</u>
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	2,137,946.22		1,002,697.44	3,010.77	120,386.77	4,784,193.44	8,048,234.64
– provision	2,137,946.22		1,002,697.44	3,010.77	120,386.77	4,784,193.44	8,048,234.64
(3) Decrease in the period							
– disposal							
(4) Closing balance	<u>14,304,211.29</u>	<u>158,340,000.00</u>	<u>8,510,741.33</u>	<u>23,978.11</u>	<u>1,691,686.43</u>	<u>17,219,149.47</u>	<u>200,089,766.63</u>
3. Provision for impairment							
(1) Opening balance							
(2) Increase in the period							
– provision							
(3) Decrease in the period							
– disposal							
(4) Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4. Carrying value							
(1) Carrying value at the end of the period	77,603,140.61		6,177,406.49	6,126.89	8,076,340.06	17,258,952.45	109,121,966.50
(2) Carrying value in the beginning of the year	<u>79,741,086.83</u>	<u></u>	<u>2,584,354.89</u>	<u>9,137.66</u>	<u>1,319,377.44</u>	<u>13,653,489.33</u>	<u>97,307,446.15</u>

Note: the intangible assets which are formed by the internal research and development occupies for 11.15% of the total intangible assets. The amortization of intangible assets is RMB8,048,234.64 and recorded in the profits and losses.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

16. Intangible assets (Continued)

16.2. There is no land use rights without certificates

16.3. Notes for intangible assets

The situation of intangible assets used in China mainland

Period	Closing balance	Opening balance
Long-term (within 50 years)	54,432,023.96	55,671,492.20
Short-term (10-50 years)	54,689,942.54	41,635,953.95

17. Long-term expenses to be amortised

Items	Opening balance	Increase in the period	Amortised in the period	Other decreased amount	Closing balance
Afforest for Electronic Equipment Industry	875,051.40		875,051.40		
Logo Production for Electronic Equipment Industry	249,485.72		249,485.72		
Fencing Wall for Electronics Equipment Industrial Park	291,876.49		291,876.49		
Purification Room Renovation Project	1,304,466.83		844,066.91		844,066.91
Waterproof Insulation Fire Control Project	296,151.02		252,904.04		43,246.98
MCT Building Renovation Project	75,577.71		75,577.71		
Other Miscellaneous Project	510,179.12	31,100.00	138,862.33		402,416.79
Total	<u>3,602,788.29</u>	<u>31,100.00</u>	<u>2,344,157.61</u>		<u>1,289,730.68</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

18. Deferred income tax assets and deferred income tax liabilities

18.1. Deferred income tax assets not yet eliminated

Items	Closing balance		Opening Balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment of assets	54,154,946.19	8,327,451.33	34,553,125.48	5,310,269.88
Internal offset of unrealised profit	1,296,081.44	324,020.36	3,911,824.80	977,956.20
Accrued expenses	4,848,781.79	1,025,561.81	3,722,072.26	828,547.34
Salaries payable	17,251,003.46	2,939,832.75	14,115,150.24	2,117,272.54
Total	<u>77,550,812.88</u>	<u>12,616,866.25</u>	<u>56,302,172.78</u>	<u>9,234,045.96</u>

18.2. Deferred income tax liabilities not yet eliminated

Items	Closing balance		Opening Balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
The changes of fair value of other equity instrument investment	255,351.83	63,837.96		
Depreciation of fixed assets	255,296.20	38,294.43	531,868.69	79,780.30
Total	<u>510,648.03</u>	<u>102,132.39</u>	<u>531,868.69</u>	<u>79,780.30</u>

18.3. Breakdown of unrecognised deferred income tax

Items	Closing balance	Opening balance
Deductible temporary difference	84,014,939.42	83,817,308.06
Deductible losses	<u>115,432,662.75</u>	<u>111,781,469.93</u>
Total	<u>199,447,602.17</u>	<u>195,598,777.99</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

18. Deferred income tax assets and deferred income tax liabilities

18.4. Deductible loss of unrecognised deferred income tax assets due next year :

Year	Closing balance	Opening balance	Notes
2018		11,834,295.44	
2019	5,877,402.64	881,467.70	
2020	42,623,909.96	42,623,909.96	
2021	29,929,032.31	30,155,592.87	
2022	20,026,081.23	26,286,203.96	
2023	16,976,236.61		
Total	115,432,662.75	111,781,469.93	

19. Short-term borrowings

19.1. Type of short-term borrowings

Items	Closing balance	Opening balance
Guaranteed borrowings	95,000,000.00	45,000,000.00
Total	95,000,000.00	45,000,000.00

19.2. Short term loans expired but not repaid.

The amount of short-term loans expired but not repaid is RMB0.00.

19.3. Details of short-term borrowings

Period	Amount	Creditor	Approach	Annual interest rate
2018/4/11-2019/4/11	50,000,000.00	China Electronics Finance Co., Ltd.	Guaranteed	4.35%
2018/4/9-2019/2/23	20,000,000.00	Ping An Bank Nanjing Branch	Guaranteed	5.22%
2018/5/9-2019/2/23	25,000,000.00	Ping An Bank Nanjing Branch	Guaranteed	5.22%

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

20. Notes payable and accounts payable

Type	Closing balance	Opening balance
Notes payable	187,360,370.61	183,557,608.11
Accounts payable	1,544,459,424.66	1,342,953,782.55
Total	1,731,819,795.27	1,526,511,390.66

20.1. Notes payable

Type	Closing balance	Opening balance
Bank promissory notes	187,360,370.61	183,557,608.11
Commercial promissory notes		
Total	187,360,370.61	183,557,608.11

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

20.2. Accounts payable

20.2.1. List of accounts payable classified by aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	1,359,695,678.37	1,048,824,443.59
1-2 years	111,329,297.59	164,119,320.61
2-3 years	46,995,341.56	79,250,265.58
Over 3 years	26,439,107.14	50,759,752.77
Total	1,544,459,424.66	1,342,953,782.55

20.2.2. Classified by nature

Items	Closing balance	Opening balance
Payment for goods	1,188,473,834.78	1,027,943,892.19
Project funds	304,111,326.91	282,555,339.45
Processing and maintenance funds	19,429,824.88	17,250,252.72
Logistics warehousing funds	8,126,415.82	6,354,302.33
Others	24,318,022.27	8,849,995.86
Total	1,544,459,424.66	1,342,953,782.55

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

20. Notes payable and accounts payable (Continued)

20.3. Significant account payables aged over 1 year

Items	Closing balance	Reasons for outstanding or carried forward
Shanghai Charm Hope Information Technology Co., Ltd.	9,160,532.38	Not settled
China Railway Signal & Communication Shanghai Engineering Bureau Group Co., Ltd.	8,318,682.97	Not settled
NIVEK Co., Ltd.	6,571,184.57	Not settled
Suzhou Golden Brain Intelligent System Engineering Co. Ltd.	6,003,252.08	Not settled
Jiangsu Hengxin Technology Co., Ltd.	4,473,693.50	Not settled
Nanjing Panda Electronics Co., Ltd.	4,251,813.17	Not settled
Kunshan Judong Photoelectricity Equipment Co., Ltd.	4,158,180.00	Not settled
Zhongtian Radio Frequency Cable Co., Ltd.	2,852,331.40	Not settled
Hebei Far East Communication System Engineering Co., Ltd.	2,455,660.20	Not settled
Nanjing Ke'an Electronics Co., Ltd.	2,411,673.45	Not settled
Beijing Gold Barron Radio and TV Technology	2,043,408.48	Not settled
Total	<u>52,700,412.20</u>	

21. Advances received

21.1. List of advances received

Items	Closing balance	Opening balance
Project funds		139,717,628.57
Payment for goods		102,298,453.34
Service fees and others	<u>2,051,740.10</u>	<u>751,598.00</u>
Total	<u>2,051,740.10</u>	<u>242,767,679.91</u>

21.2. There is no significant advances received aged over 1 year:

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

22. Staff Remuneration Payable

22.1. Staff Remuneration Payable

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Short-term Remuneration	23,109,318.87	480,661,953.35	477,103,292.32	26,667,979.90
Post-employment benefit established withdrawal and deposit scheme	190,872.17	61,604,108.57	61,482,411.78	312,568.96
Termination benefits	7,508,457.17	9,220,782.83	9,393,689.72	7,335,550.28
Other benefits due within 1 year				
Total	30,808,648.21	551,486,844.75	547,979,393.82	34,316,099.14

22.2. Short-term Remuneration

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
(1) Salary, inducement, allowance and subsidies	17,988,200.80	360,060,217.80	355,429,567.79	22,618,850.81
(2) Employee benefits fee		37,081,673.44	37,081,673.44	
(3) Social insurance fee	84,425.73	21,296,129.31	21,223,767.82	156,787.22
Inc.: medical insurance fee	76,245.46	18,796,359.04	18,727,133.06	145,471.44
work injury insurance fee	2,726.74	832,005.33	832,468.91	2,263.16
maternity insurance fee	5,453.53	1,667,764.94	1,664,165.85	9,052.62
(4) Housing provident fund	1,093,101.00	32,596,313.64	32,858,954.64	830,460.00
(5) Staff Union fee and Staff training cost	1,269,394.43	5,493,779.14	6,034,396.26	728,777.31
(6) Labour fee	444,196.91	21,186,536.49	21,277,628.84	353,104.56
(7) Short-term profit sharing scheme	2,230,000.00	2,947,303.53	3,197,303.53	1,980,000.00
Total	23,109,318.87	480,661,953.35	477,103,292.32	26,667,979.90

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

22. Staff Remuneration Payable

22.3. Established withdrawal and deposit scheme

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Basic retirement insurance	184,055.22	41,272,700.43	41,155,251.19	301,504.46
Unemployment insurance fee	6,816.95	1,248,724.48	1,244,476.93	11,064.50
Corporate annuity		19,082,683.66	19,082,683.66	
Total	190,872.17	61,604,108.57	61,482,411.78	312,568.96

22.4. 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.

23. Tax payable

Tax Items	Closing balance	Opening balance
Land value-added tax	115,837,390.35	
Deed tax	21,788,496.36	
Enterprise income tax	19,555,642.87	10,802,460.36
Value-added tax	14,793,439.07	12,418,217.69
Urban maintenance and construction tax	2,909,514.74	696,233.23
Educational surtax	1,974,156.80	349,000.20
Individual income tax	1,902,442.06	2,527,124.51
Property Tax	1,690,202.71	1,955,249.94
Stamp tax	818,472.61	106,235.87
Land-use tax	417,701.14	440,998.56
Local educational surtax	104,987.81	144,670.33
Others	3,594,690.80	10,623.56
Total	185,387,137.32	29,450,814.25

24. Other payables

Items	Closing balance	Opening balance
Interest payable		
Interest payable	4,152,246.79	3,742,966.79
Other payables	97,401,927.72	152,376,660.44
Total	101,554,174.51	156,119,627.23

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

24. Other payables

24.1. Dividend Payable

Items	Closing balance	Opening balance
Ordinary share dividends-minority shareholders	<u>4,152,246.79</u>	<u>3,742,966.79</u>
Total	<u><u>4,152,246.79</u></u>	<u><u>3,742,966.79</u></u>

dividend payable over one year amounts to RMB3,714,377.19 which is dividend payable to minority shareholders from subsidiary.

24.2. Other Payables

24.2.1. Other payables by nature

Items	Closing balance	Opening balance
State-owned capital management budget allocations		34,000,000.00
Land-transferring fees		15,578,273.90
Accounts	32,880,546.45	12,892,092.18
Deposits	35,015,420.83	45,670,131.06
Accounts with operating activities	22,521,704.12	29,216,928.52
Others	<u>6,984,256.32</u>	<u>15,019,234.78</u>
Total	<u><u>97,401,927.72</u></u>	<u><u>152,376,660.44</u></u>

24.2.2. Significant other payables aged over 1 year

Creditors	Closing balance	Reasons for outstanding
Panda Electronic Group Co., Ltd.	6,970,553.13	Not yet been carried forward
Suqian Wanlong Information Industry Co., Ltd	<u>1,831,472.22</u>	Not yet been carried forward
Total	<u><u>8,802,025.35</u></u>	

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

25. Other current liabilities

Items	Closing balance	Opening balance
Pending Output VAT	27,616,520.71	
Special Project for Technical Transformation of Electronic Information Industry for the year of 2017	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	8,120,000.00	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
Development of intelligent monitoring system for oil and gas pipeline based on distributed optical fiber sensing and the Internet	900,000.00	
Special funds for Provincial high-end equipment catching up project	620,000.00	
Special fund for the update and transferring between industry and information industry	200,000.00	
Metro automatic ticket machine domestication		500,000.00
Intelligent manufacturing project		480,000.00
Total	86,456,520.71	27,100,000.00

26. Long-term employee benefits payables

26.1. List of long-term employee benefits payables

Items	Closing balance	Opening balance
1. Post-employment benefits		
2. Termination benefits	24,722,333.29	28,037,472.50
3. Other long-term employee benefits		
Total	24,722,333.29	28,037,472.50

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

27. Estimated liabilities

Item	Closing balance	Opening balance	Reason
Pending litigation	2,900,000.00		Compensation for litigation of Guangdong Zhicheng
Total	2,900,000.00		

Note: In June 2018, Guangdong Zhicheng Champion Group Co., Ltd. and Nanjing Panda Electronics Co., Ltd. filed a case for shareholders' liquidation dispute. The Xuanwu District People's Court of Nanjing City, Jiangsu Province issued a civil mediation agreement in January 2019 (2018 Su 0102 Min Chu No. 5278), Nanjing Panda Electronics Co., Ltd. was sentenced to pay RMB2.90 million for compensation for Guangdong Zhicheng Champion Group Co., Ltd.

28. Deferred income

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	7,984,320.10		934,095.96	7,050,224.14	
Total	7,984,320.10		934,095.96	7,050,224.14	

The project related to government grants:

Project	Opening balance	The government grants given in the year	The amount recorded in profits and losses	Other variation	Closing balance	Related to assets/profit and losses
Auto-transferring system industrialisation of new panel display industry	7,984,320.10		934,095.96		7,050,224.14	Related to assets
Total	7,984,320.10		934,095.96		7,050,224.14	

Note: Fa Gai Ban Gao Ji [2015] No. 1333 "About the project of promoting electronic information industry and transforming technology in the year of 2015" issued by National Development and Reform Commission General Office

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

29. Share capital

Item	Opening balance	Changes during the period (increase(+), decrease (-))				Sub-total	Closing balance
		Issue new shares	Bonus shares	Conversion of the accumulation funds into shares	Others		
Total shares	913,838,529.00					913,838,529.00	

30. Capital reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital surplus (share premium)	1,450,743,806.12			1,450,743,806.12
Other capital surplus	13,299,216.70	6,648,777.31		19,947,994.01
Total	1,464,043,022.82	6,648,777.31		1,470,691,800.13

Note: The increase in capital reserve of the current period is the land payable raised by land appreciation of Shenzhen Jinghua Electronics Co., Ltd. (a subsidiary of the Company) when it did the share-reforming.

31. Other comprehensive income

Item	Opening balance	Changes during the period				Closing balance
		Current amount before the income tax	Less: Earnings are included in other consolidated income/ Retained earnings	Less: income tax expense	After tax attribution to the parent company	
1. Other comprehensive income not reclassified subsequently to profit or loss		255,351.83		63,837.96	191,513.87	191,513.87
Including: Changes in fair value of other equity instruments investment		255,351.83		63,837.96	191,513.87	191,513.87
Total other comprehensive income		255,351.83		63,837.96	191,513.87	191,513.87

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

32. Surplus reserve

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	184,618,995.30	3,651,637.91		188,270,633.21
Discretionary surplus reserve	70,376,641.33			70,376,641.33
Total	254,995,636.63	3,651,637.91		258,647,274.54

Note: According to "the Company Law of the PRC", the Company's Articles of Association, the Company appropriates 10% of net profits of the year to statutory surplus reserve. The Company shall not appropriate statutory surplus reserve when it reaches above 50% of the total share capital. The statutory surplus reserve could be used to recover loss or increase share capital after approval. Based on resolution at the Board of Directors, the Company appropriates 10% of net profits of the year to statutory surplus reserve.

33. Undistributed profit

Items	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	161,959,568.48	107,382,077.64
Less: Appropriation of statutory surplus reserve	3,651,637.91	3,169,940.29
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	825,055,181.86	730,715,948.32

34. Operating revenue and operating cost

34.1. Details of operating revenue and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	4,482,801,293.35	3,767,123,251.69	4,128,410,742.87	3,536,764,209.61
Other operation	17,704,359.79	10,285,335.72	63,518,166.08	59,126,881.82
Total	4,500,505,653.14	3,777,408,587.41	4,191,928,908.95	3,595,891,091.43

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

34. Operating revenue and operating cost (Continued)

34.2. Details of income from contract

Type of contract	Intelligent manufacturing industry	Intelligent city industry	Electronic manufacturing service	Other products	Eliminations among segments	Total
The type of operating district :						
Nanjing District	1,046,671,539.54	1,357,460,832.52	1,565,355,583.94	37,058,756.24	-229,303,252.60	3,777,243,459.64
Shenzhen District		602,614,418.57	102,069,790.77	18,577,984.16		723,262,193.50

34.3. Performance obligation

The Company shall recognise revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer obtains control of that asset. Whether performance obligations satisfied over time or at a point in time is based on the contracts and related law regulations. The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company satisfies the performance obligation at a point in time. Contract performance schedule is based on the value of the goods that have been transferred to the customer to determine the contract performance schedule.

34.4. Transaction price allocating to performance obligations

Performance Obligation	Estimated to be recognised revenue for the year of 2019
Intelligent manufacturing industry	276,644,266.67
Intelligent city industry	789,337,677.84
Total	1,065,981,944.51

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

35. Taxes and surcharges

Items	Current period	Preceding period
City maintenance and construction tax	5,558,804.63	8,672,891.03
Education surcharge	3,900,636.32	6,191,944.66
Property tax	7,655,160.07	6,155,552.61
Land-use tax	1,333,089.42	1,431,353.12
Stamp tax	1,205,444.85	1,422,960.39
Land value added tax	711,551.52	711,551.52
Others	235,502.04	27,354.99
Total	20,600,188.85	24,613,608.32

36. Selling expenses

Items	Current period	Preceding period
Salaries and Benefits	18,867,220.36	16,860,500.52
Transport fee	15,807,490.35	14,603,590.39
Advertising and exhibition fee	9,144,469.47	9,701,896.53
Office expenses	2,866,654.03	2,414,741.52
Storage expenses	2,434,394.83	2,131,886.82
Travelling expenses	2,083,361.57	2,860,896.30
Entertainment expenses	1,538,506.01	2,575,453.65
Labour expenses	729,355.62	457,199.98
Repairing expenses	476,945.27	159,959.17
Others	2,525,122.06	4,340,533.50
Total	56,473,519.57	56,106,658.38

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

37. Administrative expenses

Items	Current period	Preceding period
Salaries and benefits	153,076,425.22	129,269,348.60
Depreciation and amortisation	39,997,066.07	35,299,600.90
Entertainment and travelling expenses	9,585,362.93	11,748,504.92
Office, telephone, meeting expenses	9,760,889.75	10,073,498.46
Agent fee	8,308,791.41	8,039,303.25
Transportation expenses	6,217,394.64	4,783,246.28
Labour expenses	5,472,814.56	6,506,445.14
Maintenance expenses	5,595,361.35	2,269,574.04
Utilities expenses	2,494,995.38	2,034,355.24
Audit fee	1,981,132.08	1,981,132.08
Others	6,538,643.00	5,472,909.73
Total	249,028,876.39	217,477,918.64

38. Research and development expenses

Items	Current period	Preceding period
Salaries and benefits	119,592,566.34	95,579,763.07
Materials, fuel and power	40,553,056.31	48,339,243.02
Commissioned development fee	37,567,456.41	38,829,471.14
Depreciation and amortisation	9,351,994.15	9,733,179.34
Testing, inspection and maintenance expenses	6,595,925.54	4,380,992.79
Travelling expenses	3,755,629.24	3,648,149.98
Rent expenses	1,419,849.60	1,112,677.22
Design fees	196,164.36	441,430.66
Others	2,631,098.77	3,035,953.73
Total	221,663,740.72	205,100,860.95

39. Financial expenses

Items	Current period	Preceding period
Interest expenses	3,958,244.31	1,597,287.02
Less: interest income	15,557,845.37	12,220,157.80
Exchange gain and loss	15,508,573.77	1,065,472.37
Handling charges and others	2,666,465.42	4,418,929.37
Total	6,575,438.13	-5,138,469.04

Note: The interest expenses are all caused by bank loan interest from short-term borrowings and note discounting.

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

40. Assets impairment loss

Items	Current period	Preceding period
Bad debts	-210,217.85	11,397,435.34
Inventory impairment and contract performance cost provision	<u>2,420,044.57</u>	<u>4,736,779.35</u>
Total	<u><u>2,209,826.72</u></u>	<u><u>16,134,214.69</u></u>

41. Credit impairment losses

Items	Current period
Notes receivable and bad debt losses of accounts receivable	<u>11,440,826.14</u>
Contract asset impairment loss	<u>1,989,198.64</u>
Total	<u><u>13,430,024.78</u></u>

42. Other income

Grants items	Current period	Preceding period	Related to assets/income
Steady post subsidies	940,307.45	1,249,456.56	Related to income
Auto-transferring system industrialisation of new panel display industry	<u>934,095.96</u>	934,095.96	Related to assets
Tax returns	<u>433,715.84</u>	<u>2,118,053.88</u>	Related to income
Total	<u><u>2,308,119.25</u></u>	<u><u>4,301,606.40</u></u>	

Notes: tax return refers to Note "IV. Taxation (II).9";

Auto-transferring system industrialisation of new panel display industry refers to Note "V.(XXVIII)".

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

43. Investment income

Items	Current period	Preceding period
Income from long-term equity investments under equity method	46,572,091.82	73,489,872.02
Gains on disposal of long-term equity investments	113,767.52	511,400.90
Gains on bank wealth investment products	16,213,159.50	16,441,470.67
Total	62,899,018.84	90,442,743.59

44. Gains on disposal of assets

Item	Current period	Preceding period	The amount recorded in profits and losses
Disposal of assets	-1,178,977.14	-669,559.13	-1,178,977.14
Total	-1,178,977.14	-669,559.13	-1,178,977.14

45. Non-operating income

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Donation received		1,470,000.00	
Government grants	5,257,620.00	7,508,662.35	3,090,100.00
The amount do not need to pay	29,796,611.30		29,796,611.30
Others	2,514,183.34	2,180,979.03	2,514,183.34
Total	37,568,414.64	11,159,641.38	35,400,894.64

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

45. Non-operating income (Continued)

Government grants recorded into profit and loss

Items	Current period	Preceding period	Related to assets/ related to income
Reward for High-tech Enterprise	1,550,000.00		Related to income
Fund from Shenzhen Science and Technology Innovation Committee	1,092,000.00		Related to income
Provincial financial reward for research and development expenses for the year of 2017	714,000.00		Related to income
Subway automatic ticket gate localisation project	500,000.00		Related to income
Xuanwu Financial Appropriation (Industrial and Informatisation Fund)	500,000.00		Related to income
Subsidy of participating in intelligence exhibition	480,000.00	396,000.00	Related to income
Multi-terminal collaboration key technology under ubiquitous network	204,500.00		Related to income
Funding Program for Enterprise Domestic Market Development Project of the year of 2018	59,520.00		Related to income
High-tech talent overseas training class subsidy for the year of 2018	40,000.00		Related to income
Award of Nanjing annual standard qualified enterprise for the year of 2018	40,000.00		Related to income
Special funds for foreign trade and economic development for the year of 2017	26,600.00		Related to income
Second batch of funding for patent application	16,000.00		Related to income
Wastewater reached the discharging standard	10,000.00		Related to income
Futian District Enterprise Development Service Center Technology Innovation – Patent Support Bonus	8,000.00		Related to income
“Talk about ideal, make contribution” characteristic project subsidy by municipal bureau of finance for the year of 2017	5,000.00		Related to income
Provincial and municipal patent special awards for the year of 2017	5,000.00		Related to income
Funds for the Provincial Intellectual Property Program for the year of 2018 (third batch)	3,000.00		Related to income
Invention patent grant funding for the year of 2017	2,000.00		Related to income

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

45. Non-operating income (Continued)

Government grants recorded into profit and loss (Continued)

Items	Current period	Preceding period	Related to assets/ related to income
City technology Development Plan and Technology Funding Indicators	2,000.00		Related to income
Finance Commission of Shenzhen Municipality subsidy (Economic, Trade and Information Commission of Shenzhen Municipality "Grants program of Shenzhen industrial design application")		2,390,000.00	Related to income
Research and industrialisation of high nationalisation robot and intelligent equipment sets		1,880,000.00	Related to income
Special fund for guidance of new industry (development zone)		1,000,000.00	Related to income
Low-energy high/super high frequency RFID chains and application demonstration		900,000.00	Related to income
guidance of new industry in Qinhuai District in 2016		300,000.00	Related to income
Special fund for business development in 2017		266,300.00	Related to income
Special fund for industry transformation and updating		100,000.00	Related to income
Grands from Nanjing water bureau		60,000.00	Related to income
Sponsor for High-Tec overseas talent		40,000.00	Related to income
Shenzhen private, small and medium size enterprise development funds ("small and medium development fund for domestic market development plan" issued by Shenzhen small and medium enterprise office)		32,670.00	Related to income
Sponsor for patent policy in 2016		26,000.00	Related to income
Shenzhen Futian District Enterprise Development Service Center "Patent and Software Copyright" Award (Fifth Support Enterprise and Project of Shenzhen Futian District Enterprise Development Center "2016 Futian District Industrial Development Special Fund Science and Technology Innovation Sub-project)		21,700.00	Related to income

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

45. Non-operating income (Continued)

Government grants recorded into profit and loss (Continued)

Items	Current period	Preceding period	Related to assets/ related to income
Science and technology reward in the year of 2016		20,000.00	Related to income
Allowance of producing environment-friendly Sponsor for patent policy in 2016		20,000.00	Related to income
Unemployment fee ("Notice of steady post subsidies with unemployment insurance" (Shen Ren She Gui [2016] No.1)		18,500.00	Related to income
Golden bridge project reward in the year of 2016		13,892.35	Related to income
Special fund subsidies in the year of 2016		5,000.00	Related to income
Science lecture hall delegation fee		4,000.00	Related to income
China association for science and technology delegation fee		4,000.00	Related to income
Subsidies of patent for innovation in the year of 2016		2,000.00	Related to income
Application for patent fund ("Notice of Shenzhen first round application for patent fund in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)		2,000.00	Related to income
Subsidies of patent		2,000.00	Related to income
Subsidies of computer patent ("Notice of Shenzhen first round application for computer patent fund list in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)		600.00	Related to income
Total	5,257,620.00	7,508,662.35	

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

46. Non-operating expenses

Items	Current period	Preceding period	Amount included in non-recurring profit or loss
Legislation compensation	2,900,000.00		2,900,000.00
Donation to external parties	231,602.00	195,000.00	231,602.00
Penalty expenditure	124,480.29		124,480.29
Others	451,631.96	493,183.28	451,631.96
Total	3,707,714.25	688,183.28	3,707,714.25

47. Income tax expenses

47.1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	41,894,517.80	30,626,134.28
Deferred income tax	-3,424,306.16	-508,124.07
Total	38,470,211.64	30,118,010.21

47.2. Explain of the relationship of income Tax Expenses and accounting profit

Items	Current period
Total profit	251,004,311.91
Income tax expenses calculated at the applicable tax rate	62,751,077.98
Different tax rate of subsidiaries	-4,365,401.59
Adjustment on previous income tax	-785,645.75
Income not subject to tax	-11,643,022.96
Expenses not deductible for tax purposes	2,483,525.98
Utilisation of previously unrecognised tax losses	-4,532,694.97
Unrecognised deductible temporary difference and deductible tax loss	9,278,502.85
Effect of additional deductible cost under tax law	-14,716,129.90
Total income tax expenses	38,470,211.64

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

48. Information of cash flow statement

48.1. Cash received relating to other operating activities

Items	Current period	Preceding period
Cash receipts from acceptance deposit & Commitment deposit	108,195,783.68	122,755,376.43
Government grants	38,371,643.29	31,356,172.79
Interest Income	15,557,845.37	12,220,157.80
Others	4,127,630.89	3,649,269.63
Total	<u>166,252,903.23</u>	<u>169,980,976.65</u>

48.2. Cash paid relating to other operating activities

Items	Current period	Preceding period
Expenses	<u>205,795,256.41</u>	<u>211,981,507.41</u>
Total	<u>205,795,256.41</u>	<u>211,981,507.41</u>

48.3. Other cash receipt in connection with investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>1,550,000,000.00</u>	<u>2,046,000,000.00</u>
Total	<u>1,550,000,000.00</u>	<u>2,046,000,000.00</u>

48.4. Other cash paid in connection with investment activities

Items	Current period	Preceding period
Principle of bank wealth investment products	<u>1,460,000,000.00</u>	<u>2,248,000,000.00</u>
Total	<u>1,460,000,000.00</u>	<u>2,248,000,000.00</u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

48. Information of cash flow statement (Continued)

48.5. Other cash received in connection with financing activities

Items	Current period	Preceding period
Cash received from notes discounted	<u>39,198,666.76</u>	<u>176,288,070.47</u>
Total	<u><u>39,198,666.76</u></u>	<u><u>176,288,070.47</u></u>

48.6. Other cash paid in connection with financing activities

Items	Current period	Preceding period
Interests from notes discounted	<u>285,364.09</u>	<u>1,242,654.96</u>
Total	<u><u>285,364.09</u></u>	<u><u>1,242,654.96</u></u>

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

49. Supplementary information of cash flow statements

49.1. Supplementary information of cash flow statements

Items	Current period	Preceding period
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	212,534,100.27	156,171,264.33
Add: Provision for assets impairment	2,209,826.72	16,134,214.69
Credit impairment provision	13,430,024.78	
Depreciation of fixed assets	69,578,516.78	83,355,942.20
Amortisation of intangible assets	8,048,234.64	8,634,956.78
Amortisation of long-term deferred expenses	2,344,157.61	3,903,961.14
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	1,065,209.62	669,559.13
Loss on scrapped fixed assets (or less: decrease)		
Loss on change in fair value (or less: decrease)		
Financial expenses (or less: decrease)	3,958,244.31	2,839,941.98
Investment loss (or less: decrease)	-62,899,018.84	-90,442,743.59
Decrease in deferred tax assets(or less: increase)	-3,382,820.29	-454,343.82
Increase in deferred tax liabilities (or less: decrease)	-41,485.87	-53,780.25
Decrease in inventories (or less: increase)	-276,236,077.89	-140,197,265.20
Decrease of operating receivables (or less: increase)	-213,703,096.22	-244,088,080.21
Increase of operating payables (or less: decrease)	288,657,201.95	361,075,937.83
Others		
Net cash flows from operating activities	45,563,017.57	157,549,565.01
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	1,292,114,192.80	1,191,597,115.73
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	100,517,077.07	49,913,196.46

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

49. Supplementary information of cash flow statements

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

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

49.4. The composition of cash and cash equivalents:

Items	Current period	Preceding period
1. Cash	1,292,114,192.80	1,191,597,115.73
Inc.: Cash on hand	413,440.88	348,203.19
Bank deposit available for payment at any time	1,291,700,751.92	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	<u>1,292,114,192.80</u>	<u>1,191,597,115.73</u>

50. Assets with title or use right restrictions

Items	Closing carrying amount	The reason
Monetary capital	156,637,609.55	Deposits of acceptance performance, letter of credit
Total	<u>156,637,609.55</u>	

Notes to the 2018 Financial Statements (Continued)

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

V. Notes to key items in consolidated financial statement (Continued)

51. Foreign currency monetary items

51.1. Foreign currency monetary items

Items	Foreign currency at the end of the year	Exchange rate	Converted into RMB at the end of the period
Cash on hand			
Inc.: USD	11,799,396.17	6.8632	80,981,615.79
Euro	30,798.04	7.8473	241,681.46
HKD	198,363.80	0.8762	173,806.36
JPY	19,151,396.00	0.0619	1,185,471.41
Accounts receivable			
Inc.: USD	6,450,587.15	6.8632	44,271,669.73
Euro	107,472.67	7.8473	843,370.28
JPY	239,646,849.00	0.0619	14,834,139.95
Other receivables			
Inc.: USD	53,357.78	6.8632	366,205.12
HKD	56,135.00	0.8762	49,185.49
Accounts payable			
Inc.: USD	22,349,163.15	6.8632	153,386,776.53
JPY	2,759,891,238.32	0.0619	170,837,267.65
Other payables			
Inc.: USD	325,150.00	6.8632	2,231,569.48
HKD	5,558.00	0.8762	4,869.92

Notes to the 2018 Financial Statements (Continued)

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

VI. Changes in consolidated scope

(I) Business combination not involving enterprises under common control

Nil.

(II) Business combination involving enterprises under common control

Nil

(III) Reversed Purchase

Nil

(IV) Disposal of subsidiaries in the current period.

Nil

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

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

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Nanjing Panda 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.

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly owned subsidiaries

Name of subsidiaries	Proportion of Minority shareholdings	Loss attributable to minority interests in the current period	Dividend attributable to minority interests in the current period	Balance of minority interests at the end of period
----------------------	--------------------------------------	---	---	--

Shenzhen Jinghua Electronics Co., Ltd.	56.66%	50,574,531.79	43,998,639.18	223,454,061.90
--	--------	---------------	---------------	----------------

Note: The Company recommended 4 candidates out of 7 board of directors, therefore, the Company holds 57.14% right to vote.

3. Key financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Balance at the end of period					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	

Shenzhen Jinghua Electronics Co., Ltd.	433,541,054.95	42,253,704.87	475,794,759.82	112,027,158.18	4,293,781.79	116,320,939.97
--	----------------	---------------	----------------	----------------	--------------	----------------

Name of subsidiaries	Balance at the beginning of period					Total liabilities
	Current assets	Non-current assets	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
--	----------------	---------------	----------------	----------------	--------------	----------------

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(I) Interests in subsidiaries (Continued)

3. Key financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Current period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	723,262,193.50	77,534,862.67	77,534,862.67	93,753,913.48

Name of subsidiaries	Preceding period			
	Operating income	Net income	The comprehensive income	Cash flow from operating activities
Shenzhen Jinghua Electronics Co., Ltd.	777,580,654.96	70,317,234.60	70,317,234.60	103,836,050.94

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
Communication Co., Ltd.	Nanjing	Nanjing	Manufacturing	27.00		Nanjing Ericsson Panda Equity method

The type of business above is Limited Liability Company (Sino-foreign joint venture).

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

2. Key financial information of significant associates

Items	Closing balance/current period		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	1,049,857,992.75	2,643,412,000.00	1,311,976,023.46	1,773,901,000.00
Non-current assets	98,869,490.79	2,019,370,000.00	117,163,906.63	1,952,287,000.00
Total assets	<u>1,148,727,483.54</u>	<u>4,662,782,000.00</u>	<u>1,429,139,930.09</u>	<u>3,726,188,000.00</u>
Current liabilities	770,805,805.46	3,873,311,000.00	962,460,641.15	2,890,534,000.00
Non-current liabilities				
Total liabilities	<u>770,805,805.46</u>	<u>3,873,311,000.00</u>	<u>962,460,641.15</u>	<u>2,890,534,000.00</u>
Minority interest				
Shareholders' equity attributable to the parent company	<u>377,921,678.08</u>	<u>789,471,000.00</u>	<u>466,679,288.94</u>	<u>835,654,000.00</u>
Proportionate share in net assets	75,584,335.62	213,157,170.00	93,335,857.79	225,626,580.00
Adjustments	3,444,382.37	-97,264.00	3,444,382.37	504.00
- Goodwill				
- Internal offset of unrealised profit				
- Others	<u>3,444,382.37</u>	<u>-97,264.00</u>	<u>3,444,382.37</u>	<u>504.00</u>
Carrying amount of investments in associates	<u>79,028,717.99</u>	<u>213,059,906.00</u>	<u>96,780,240.16</u>	<u>225,627,084.00</u>

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

2. Key financial information of significant associates (Continued)

Items	Closing balance/current period		Opening balance/Proceeding 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.
Fair value of equity investments in associates				
Operating income	2,468,282,801.07	8,816,970,000.00	7,130,399,309.82	7,885,127,000.00
Net profit	5,541,586.91	165,489,000.00	92,206,829.67	201,768,000.00
Net profit of discontinued operations				
Other comprehensive income				
Total comprehensive income	5,541,586.91	165,489,000.00	92,206,829.67	201,768,000.00
Dividend from joint ventures received		57,249,208.00	37,203,302.26	65,490,442.00

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

Notes to the 2018 Financial Statements (Continued)

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

VII. Interests in other entities (Continued)

(III) Significant joint ventures or associates (Continued)

3. Combined financial information of immaterial joint ventures and associates

Items	Closing balance/ current period	Opening balance/ preceding period
Associates:		
Total carrying amount of investment	1,686,460.77	10,218,210.63
The followings were calculated by		
– Net profit	781,744.44	570,942.01
– Other comprehensive income		
– Total comprehensive income	781,744.44	570,942.01

4. There are no significant restrictions imposed on the company's associates in terms of the ability to transfer funds.
5. There are no excess losses of the company's joint ventures and associates.
6. There are no unconfirmed commitments of joint ventures.
7. There are no contingency liabilities of joint ventures about investment activities.

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

Notes to the 2018 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments (Continued)

(I) Credit risks

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations and causes financial losses to the other. The company is mainly facing customer credit risk caused by credit sales. Before the signing of the new contract, the company will evaluate the credit risk of the new customer, including the external credit rating and, in some cases, the bank credit certificate (when this information is available). The company sets a credit limit for each customer, which is the maximum amount that does not require additional approval.

The company ensures that the company's overall credit risk is within control of the company through quarterly monitoring of existing customer credit ratings and monthly review of accounts receivable aging analysis. When monitoring the customer's credit risk, they are grouped according to their credit characteristics. Customers rated as "high-risk" will be placed on the list of restricted customers, and the company can only sell them on the premise of additional approval, otherwise they must be required to pay in advance.

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	1,448,751,802.35	1,448,751,802.35		
Notes receivable	268,269,716.38	268,269,716.38		
Other receivable	88,573,078.94	88,573,078.94		
Other current assets	34,724,089.13	34,724,089.13		

Notes to the 2018 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments (Continued)

(II) Market risks

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market prices, including foreign exchange risk and interest rate risk.

(1) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in market interest rates. Due to no long-term liability, the Company does not suffer from interest rate risk at present.

(2) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of financial instruments or future cash flows fluctuate due to changes in foreign exchange rates. The company tries to match the revenue and cost in foreign currencies in order to reduce the exchange rate risk. The company does not sign any contract of forward exchange agreement and currency swap agreement.

The main foreign exchange risk is the financial assets and financial liabilities with USD, JPY. The amount of the financial assets and liabilities in foreign currencies converted into RMB is as follows:

Items	The current period		
	Exchange increase/decrease	Total profit increase/decrease	Shareholder equity increase/decrease
Depreciation of RMB against USD	5%	-1,499,942.77	-1,499,942.77
Appreciation of RMB against USD	5%	1,499,942.77	1,499,942.77
Depreciation of RMB against JPY	5%	-7,740,882.81	-7,740,882.81
Appreciation of RMB against JPY	5%	7,740,882.81	7,740,882.81

Items	The preceding period		
	Exchange increase/decrease	Total profit increase/decrease	Shareholder equity increase/decrease
Depreciation of RMB against USD	5%	1,563,993.68	1,563,993.68
Appreciation of RMB against USD	5%	-1,563,993.68	-1,563,993.68
Depreciation of RMB against JPY	5%	-3,571,961.99	-3,571,961.99
Appreciation of RMB against JPY	5%	3,571,961.99	3,571,961.99

Notes to the 2018 Financial Statements (Continued)

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

VIII. Risk associated with financial instruments (Continued)

(II) Market risks (Continued)

(3) Other price risk

Since the company holds no equity security investments, the company exposes to no price risks for investments in equity instruments.

(III) Liquidity risk

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

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

Items	Closing balance					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Short-term borrowings	95,000,000.00					95,000,000.00
Notes payable and accounts payable	1,731,819,795.27					1,731,819,795.27
Other payables	101,554,174.51					101,554,174.51
Total	1,928,373,969.78					1,928,373,969.78

Items	Opening balance					Total
	Within 1 year	1-2 years	2-3 years	3-4 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

Notes to the 2018 Financial Statements (Continued)

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

IX. Fair value disclosure

The inputs used to measure fair value are categorised into three hierarchies:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level of fair value measurement is determined by the lowest level inputs that are significant to the fair value measurement as a whole.

(I) Closing fair value of assets and liabilities measured at fair value

Type	Fair value at the end of period			Total
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	
1. Continuing fair value measurement				
◆ Trading financial assets			360,000,000.00	360,000,000.00
1.1 Financial assets at fair value through profit and loss			360,000,000.00	360,000,000.00
1.1.1 Debt instrument investment				
1.1.2 Equity instrument investment				
1.1.3 Derivative assets			360,000,000.00	360,000,000.00
1.2. Designate as financial assets at fair value through profit and loss				
1.2.1 Debt instrument investment				
1.2.2 Equity instrument investment				
◆ Other debt investment				
◆ Other equity instrument investment			3,905,351.83	3,905,351.83
◆ Other non-current assets				
Total continuing assets measured at fair value			363,905,351.83	363,905,351.83

Notes to the 2018 Financial Statements (Continued)

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

IX. Fair value disclosure (Continued)

(II) Adjustment information between the carrying value of opening and closing balance, and sensitivity analysis of unobservable parameters for continuous project with level 3 of the fair value hierarchy

1. Adjustment information of continuous project with level 3 of the fair value hierarchy

Type	Opening balance	Transfers in level 3	Transfers out of level 3	Gains (losses) recognised in the period		Purchase, issue, selling and settlement				Closing balance	For assets held at the end of the reporting period, the gains or losses are not realised in the current period of profit or loss.
				In profits and losses	In other comprehensive income	Purchase	issue	selling	settlement		
◆ Trading financial assets.		360,000,000.00								360,000,000.00	
Financial assets at fair value through profit and loss.		360,000,000.00								360,000,000.00	
- Debt instrument investment											
- Equity instrument investment		360,000,000.00								360,000,000.00	
- Derivative assets.											
- Others											
◆ Other equity instrument investment.		3,650,000.00			255,351.83					3,905,351.83	
Total.		363,650,000.00			255,351.83					363,905,351.83	

Notes to the 2018 Financial Statements (Continued)

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

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	1,632.97 million	23.05	55.56
---------------------------------	---------	---------------	------------------	-------	-------

Ultimately controlled by: China Electronics Corporation. Registered place: Beijing China

Note: the voting right proportion of Company's parent company higher than the proportion of shareholdings is due to the situation that 5 of 9 board of directors are recommended by the parent company.

The type of company: limited company.

(II) Details on the Company's subsidiaries

Please refer to (I). Interests in subsidiaries under Note VII. 'Interests in other entities' for details on the Company's subsidiaries.

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

Please refer to (II). Interests in joint arrangement or associates under Note VII. Interests in other entities for details on the Company's significant joint ventures and associates.

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 Run Business
Nanjing Ericsson Panda Communication Co., Ltd.	The Company's Jointly Run Business
Beijing SE Putian Mobile Communications Co., Ltd	The Company's Jointly Run Business
Nanjing Thales Panda Transportation System Company Limited	The Company's Jointly Run Business
Shenzhen Jinghua Network Marketing Co., Ltd.	The Company's Jointly Run Business
Shenzhen Chebao Information Technology Co., Ltd	The Company's Jointly Run Business

Other notes: Nanjing Thales Panda Transportation System Company Limited has been cancelled in this issue.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(IV) Details on other related parties

Other related parties Name	The Company relationships with other related party
Nanjing Panda Technology Park Development Company Limited	Subsidiary of the Group
Nanjing Panda Electronics Import/Export Co., Ltd	Subsidiary of the Group
Panda (Beijing) International Information Technology 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 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
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Subsidiary of the Group
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party
Nanjing CEC Panda illumination Co., Ltd.	Ultimately controlled by the same party
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Trade Development Co., Ltd	Ultimately controlled by the same party
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Ultimately controlled by the same party
Nanjing Sanle Electronic Information Co., Ltd	Ultimately controlled by the same party
Dongguan China Electronics Panda Technology Development Co., Ltd	Ultimately controlled by the same party
Nanjing Huadong Electronic Information Technology Co., Ltd	Ultimately controlled by the same party
Nanjing Huadong Electronics Group Co., Ltd	Ultimately controlled by the same party
China Zhenhua Group Yunke Electronics Co., Ltd	Ultimately controlled by the same party
China Great Wall Technology Group Co., Ltd	Ultimately controlled by the same party
China Tongguang Electronics Co., Ltd	Ultimately controlled by the same party
China Software and Technology Service Co., Ltd	Ultimately controlled by the same party
N CEC Materials Suzhe Corporation	Ultimately controlled by the same party
China Electronics Equipment International Co., Ltd.	Ultimately controlled by the same party

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(IV) Details on other related parties (Continued)

Other related parties Name	The Company relationships with other related party
China Electronics Import and Export Co., Ltd	Ultimately controlled by the same party
China Electronics International Exhibition Advertising Co., Ltd	Ultimately controlled by the same party
CEC Engineering Science New Material Jiangsu Co., Ltd.	Ultimately controlled by the same party
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Group Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Investment Company	Ultimately controlled by the same party
Shenzhen China Electronics International Information Technology Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Ultimately controlled by the same party
Shenzhen China Electronics Technology Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda Real Estate Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Modern Service Industry Co., Ltd	Ultimately controlled by the same party
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Ultimately controlled by the same party
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Ultimately controlled by the same party
Nanjing Panda Jinling Hotel Co., Ltd	Ultimately controlled by the same party
Langfang China Electronics Panda Crystal Technology Co., Ltd.	Ultimately controlled by the same party
Guizhou Zhenhua E-Chem Co., Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Ultimately controlled by the same party
Guizhou Zhenhua Hualian Electronics Co., Ltd	Ultimately controlled by the same party
Beijing China Electronics Guangtong Technology Co., Ltd.	Ultimately controlled by the same party

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(IV) Details on other related parties (Continued)

Other related parties Name	The Company relationships with other related party
China Electronics Financial Co., Ltd.	Ultimately controlled by the same party
Nanjing CEC Panda LCD Technology Co., Ltd.	Ultimately controlled by the same party
Caihong Group Co., Ltd	Ultimately controlled by the same party
Guizhou Zunyi Hualong New Material Co., Ltd	Ultimately controlled by the same party
Xianyang CE Caihong Group Holdings Co., Ltd.	Ultimately controlled by the same party
Xianyang Caihong Intelligent Equipment Co., Ltd.	Ultimately controlled by the same party
Solomon Systech Nanjing Co., Ltd	Ultimately controlled by the same party
Wuhan Zhongyuan Electronics Information Co., Ltd	Ultimately controlled by the same party
Nanjing Caihong New Energy Co., Ltd.	Other related party
Shenzhen Jinghua Intelligent Technology Co., Ltd	Other related party
Chengdu China Electronic Panda Display Technology Co., Ltd	Other related party
Shanxi Caihong Electronics Glass Co., Ltd.	Other related party
IRICO (Hefei) LCD Glass Co., Ltd.	Other related party
Xianyang Caihong Optoelectronics Technology Co., Ltd	Other related party

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions

- Purchase and sale of goods, rendering and receipting services in related party transactions

Purchase of goods/receiving of service:

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Electronics Import/Export Co., Ltd	Purchase of goods	37,748,099.67	8,629,309.15
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Purchase of goods	28,928,284.56	803,827.58
Nanjing CEC Panda LCD Technology Co., Ltd.	Purchase of goods	4,491,339.92	4,968,496.79
Nanjing Huadong Electronic Information Technology Co., Ltd	Purchase of goods	4,087,816.22	50,769.23
Xianyang Caihong Intelligent Equipment Co., Ltd.	Purchase of goods	3,362,068.97	
Shenzhen China Electronics Investment Company	Purchase of goods	3,136,744.29	1,985,207.80
Nanjing Zhenhua Packing Material Factory	Purchase of goods	3,018,630.68	4,158,964.19
Nanjing Caihong New Energy Co., Ltd.	Purchase of goods	2,115,578.46	
Nanjing China Electronics Panda Appliances Co., Ltd	Purchase of goods	1,046,183.10	157,094.01
China Electronics Import and Export Co., Ltd	Purchase of goods	801,372.82	1,573,836.87
Nanjing China Electronics Panda Crystal Technology Co., Ltd	Purchase of goods	762,835.75	431,315.52
Shanghai Panda Huning Electronic Technology Co., Ltd.	Purchase of goods	374,340.00	2,692,107.59
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Purchase of goods	290,344.83	2,272,769.23
Guizhou Zhenhua Hualian Electronics Co., Ltd	Purchase of goods	162,845.82	276,747.16
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Purchase of goods	124,137.94	
Nanjing CEC Panda illumination Co., Ltd.	Purchase of goods	111,120.00	25,625.63
Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	Purchase of goods	57,931.03	179,550.00
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Purchase of goods	40,813.61	
Chengdu China Electronic Panda Display Technology Co., Ltd	Purchase of goods	33,158.00	

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Purchase of goods/receiving of service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Shenzhen China Electronics International Information Technology Co., Ltd	Purchase of goods	30,564.70	5,288,591.02
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Purchase of goods	15,782.09	590,995.66
Panda LCD Materials Technology (Hong Kong) Co., Ltd.	Purchase of goods		8,929,216.73
Panda Electronic Group Co., Ltd.	Purchase of goods		541,438.58
Shenzhen China Electronics Technology Co., Ltd	Purchase of goods		142,735.04
Nanjing Panda Handa Technology Co., Ltd	Purchase of goods		36,879.25
Shenzhen Jinghua Intelligent Technology Co., Ltd	Receipt of services	6,127,446.92	4,140,360.68
Nanjing Panda Transport Co., Ltd	Receipt of services	3,446,288.57	2,708,289.91
Nanjing CEC Panda LCD Technology Co., Ltd.	Receipt of services	2,008,147.40	1,315,935.90
Nanjing Huadong Electronics Group Co., Ltd	Receipt of services	544,414.54	
Nanjing Panda Handa Technology Co., Ltd	Receipt of services	344,540.92	11,039.62
Panda Electronic Group Co., Ltd.	Receipt of services	221,845.24	1,616,818.09
China Electronics International Exhibition Advertising Co., Ltd	Receipt of services	117,980.00	146,370.00
Shanghai Panda Huning Electronic Technology Co., Ltd.	Receipt of services	55,028.46	
Xianyang Caihong Optoelectronics Technology Co., Ltd	Receipt of services	48,615.64	
Nanjing Electronics Information Industrial Corporation	Receipt of services	42,452.83	
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Receipt of services	42,241.38	
China Electronics Import and Export Co., Ltd	Receipt of services	30,500.40	

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Purchase of goods/receiving of service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing Panda Technology Park Development Company Limited	Receipt of services		210,210.81
Nanjing Panda Electronics Import/Export Co., Ltd	Receipt of services		185,060.98
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Receipt of services		174,721.37
Nanjing Zhenhua Packing Material Factory	Receipt of services		61,575.50
Nanjing Huadong Electronic Information Technology Co., Ltd	Receipt of services		50,769.23
Nanjing China Electronics Panda Appliances Co., Ltd	Receipt of services		1,538.04

Sales of goods/rendering the service

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Chengdu China Electronic Panda Display Technology Co., Ltd	Sales of goods	692,612,243.15	192,660,883.24
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Sales of goods	402,356,184.00	547,111,013.55
Nanjing CEC Panda LCD Technology Co., Ltd.	Sales of goods	163,758,349.58	98,635,453.94
Xianyang Caihong Optoelectronics Technology Co., Ltd	Sales of goods	107,097,340.46	109,370,564.09
Nanjing Panda Handa Technology Co., Ltd	Sales of goods	77,917,085.12	67,392,238.55
Nanjing Panda Electronics Import/Export Co., Ltd	Sales of goods	37,942,406.44	36,901,444.50
Panda Electronics Import and Export (Hong Kong) Co., Ltd.	Sales of goods	34,757,755.24	30,999,508.72
Shenzhen Jinghua Network Marketing Co., Ltd	Sales of goods	32,767,144.47	29,113,423.07

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Guizhou Zunyi Hualong New Material Co., Ltd	Sales of goods	17,930,362.07	50,596,393.16
Xianyang CE Caihong Group Holdings Co., Ltd.	Sales of goods	14,345,822.29	
Nanjing China Electronics Panda Appliances Co., Ltd	Sales of goods	4,353,588.61	8,869,647.46
IRICO (Hefei) LCD Glass Co., Ltd.	Sales of goods	4,310,344.84	1,577,777.78
China Great Wall Technology Group Co., Ltd	Sales of goods	1,826,057.73	1,871,108.31
Panda Electronic Group Co., Ltd.	Sales of goods	1,695,882.06	1,400,256.47
Nanjing Ericsson Panda Communication Co., Ltd.	Sales of goods	1,578,557.77	34,209.54
Nanjing Panda Investment Development Co., Ltd	Sales of goods	1,001,592.67	
N CEC Materials Suzhe Corporation	Sales of goods	762,624.55	
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Sales of goods	534,635.63	390,182.05
Nanjing Electronics Information Industrial Corporation	Sales of goods	411,693.43	
Nanjing Panda Technology Park Development Company Limited	Sales of goods	245,102.65	
Nanjing Huadong Electronic Information Technology Co., Ltd	Sales of goods	243,748.59	
Nanjing CEC Panda Real Estate Co., Ltd.	Sales of goods	229,235.68	8,888.89
Nanjing Panda Transport Co., Ltd	Sales of goods	186,593.24	30,909.46
Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	Sales of goods	57,435.90	
Shenzhen China Electronics Technology Co., Ltd	Sales of goods	43,876.55	46,132.40

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing China Electronics Modern Service Industry Co., Ltd	Sales of goods	31,317.00	
Nanjing China Electronics Panda Trade Development Co., Ltd	Sales of goods	3,301.89	
Panda (Beijing) International Information Technology Co., Ltd	Sales of goods	668.72	27,350.43
Shenzhen China Electronics Investment Company	Sales of goods		66,465,992.59
China Electronics Equipment International Co., Ltd.	Sales of goods		5,233,952.20
Nanjing Changjiang Electronics Information Industry Group Co., Ltd.	Sales of goods		211,345.92
Nanjing Sanle Electronic Information Co., Ltd	Sales of goods		102,564.11
Nanjing Panda Dasheng Electronics Technology Co., Ltd	Sales of goods		32,803.42
Solomon Systech Nanjing Co., Ltd	Sales of goods		470.09
Nanjing Panda Investment Development Co., Ltd	Rendering of services	49,070,815.37	56,048,193.74
Xianyang Caihong Optoelectronics Technology Co., Ltd	Rendering of services	21,127,016.73	29,872,072.04
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	Rendering of services	10,909,995.71	44,503,035.19
Panda Electronic Group Co., Ltd.	Rendering of services	8,831,955.06	10,165,259.75
Liyang Panda Cuizhuyuan Hotel Co., Ltd	Rendering of services	5,124,513.91	3,864,585.49
Nanjing CEC Panda LCD Technology Co., Ltd.	Rendering of services	3,978,711.33	14,067,450.63

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

- Purchase and sale of goods, rendering and receiving services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Nanjing CEC Panda LCD Materials Technology Co., Ltd.	Rendering of services	683,568.81	1,393,506.75
Nanjing CEC Panda Real Estate Co., Ltd.	Rendering of services	432,507.79	836,411.37
Nanjing China Electronics Panda Appliances Co., Ltd	Rendering of services	359,973.83	376,038.67
Nanjing Panda Electronics Import/Export Co., Ltd	Rendering of services	260,694.92	134,691.78
Nanjing Panda Transport Co., Ltd	Rendering of services	71,802.12	196,392.75
Nanjing Panda Handa Technology Co., Ltd	Rendering of services	59,286.80	3,736,092.47
Shenzhen Jinghua Network Marketing Co., Ltd	Rendering of services	8,822.82	7,655.65
CEC Engineering Science New Material Jiangsu Co., Ltd.	Rendering of services		830,597.57
China Software and Technology Service Co., Ltd	Rendering of services		738,792.45
Nanjing Ericsson Panda Communication Co., Ltd.	Rendering of services		696,547.66
Wuhan Zhongyuan Electronics Information Co., Ltd	Rendering of services		660,377.36
Nanjing Electronics Information Industrial Corporation	Rendering of services		404,732.06
China Tongguang Electronics Co., Ltd	Rendering of services		207,507.00
Nanjing China Electronics Modern Service Industry Co., Ltd	Rendering of services		184,860.38
Nanjing Panda Electronics Materials Utilization Company	Rendering of services		145,299.14

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

1. Purchase and sale of goods, rendering and receipting services in related party transactions (Continued)

Sales of goods/rendering the service: (Continued)

Related parties	Type of transaction	Amount for the current period	Amount for the prior period
Dongguan China Electronics Panda Technology Development Co., Ltd	Rendering of services		135,484.96
N CEC Materials Suzhe Corporation	Rendering of services		129,235.93
Chengdu China Electronic Panda Display Technology Co., Ltd	Rendering of services		24,862.26
Nanjing China Electronics Panda Trade Development Co., Ltd	Rendering of services		12,254.72
Nanjing Huadong Electronic Information Technology Co., Ltd	Rendering of services		2,954.72
Nanjing Huadong Electronics Group Co., Ltd	Rendering of services		2,075.47

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

Nil

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

3. Leases in related party transactions

Asset leased to related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Nanjing China Electronics Panda Appliances Co., Ltd	Lease of houses	660,356.40	656,378.40
Nanjing Panda Transport Co., Ltd	Lease of cars	617,042.07	861,310.66
Shenzhen Jinghua Intelligent Technology Co., Ltd	Lease of houses	537,654.86	537,654.86
Nanjing Panda Electronics Import/Export Co., Ltd	Lease of houses	244,325.92	242,854.08
Nanjing Panda Handa Technology Co., Ltd	Lease of houses	130,000.00	
Shenzhen Jinghua Network Marketing Co., Ltd	Lease of houses	50,142.86	49,502.19
Nanjing Panda Transport Co., Ltd	Lease of houses	50,052.92	49,751.40
Panda Electronic Group Co., Ltd.	Lease of houses	40,653.67	40,378.35
Panda Electronic Group Co., Ltd.	Lease of cars	25,641.03	51,282.06

Assets leased from related parties

Name of lessee	Types of leased assets	Rental income recognised in this period	Rental income recognised in prior period
Chengdu China Electronic Panda Display Technology Co., Ltd	Lease of houses	105,405.41	
Panda Electronic Group Co., Ltd.	Lease of houses		184,000.01

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

4. Guarantee in related party transactions

Guarantee provided to related parties

Secured party	Guarantee amount	Guarantee start date	Expiry date	Whether the guarantee has been fulfilled
Nanjing Panda Information Industry Co, Ltd. 1	280,000,000.00	2018-12-26	2021-6-30	No
Nanjing Panda Information Industry Co, Ltd. 2	50,000,000.00	2017-11-28	2020-11-27	No
Nanjing Panda Information Industry Co, Ltd. 3	100,000,000.00	2016-7-1	2020-6-30	No
Nanjing Panda Electronics Equipment Co., Ltd. 4	170,000,000.00	2018-9-29	2021-6-30	No
Nanjing Panda Electronics Equipment Co., Ltd. 5	30,000,000.00	2018-12-14	2021-11-5	No
Nanjing Panda Electronics Equipment Co., Ltd. 6	100,000,000.00	2018-7-20	2021-7-20	No
Nanjing Panda Electronics Equipment Co., Ltd. 7	40,000,000.00	2017-7-24	2020-6-16	Yes
Nanjing Panda Electronic Manufacture Co., Ltd 8	60,000,000.00	2017-11-1	2020-10-31	No
Nanjing Panda Electronic Manufacture Co., Ltd 9	60,000,000.00	2018-1-16	2020-11-30	No
Nanjing Panda Electronic Manufacture Co., Ltd 10	50,000,000.00	2018-12-24	2021-6-30	No
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. 11	50,000,000.00	2017-7-24	2020-6-16	Yes
Nanjing Huage Appliance and Plastic Industrial Co., Ltd. 12	50,000,000.00	2018-9-10	2021-9-10	No
Nanjing Panda Machine Electricity Manufacturing Co., Ltd. 13	15,000,000.00	2018-12-10	2021-11-8	No

Details on provision of guarantees between related parties :

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 26th December, 2018 to 30th June, 2019 and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB41,812,870.26 of its total comprehensive bank credit, of which RMB41,812,870.26 is guaranteed by The Company in the form of letter of guarantee.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

Note 2: The Company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by China Merchant Bank, Nanjing Branch, Chengdong Branch to Nanjing Panda Information Industry Co., Ltd., sub-subsidiary of The Company. The guarantee has a period from 28th November, 2017 to 27th November, 2018. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by Chengdong Branch, or advance in cash plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly plus 2 years. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB48,577,249.06 of its total comprehensive bank credit, of which RMB48,577,249.06 is guaranteed in the form of letter of guarantee offered by The Company to China Merchant Bank, Nanjing Branch, Chengdong Branch.

Note 3: The Company offers irrevocable maximum guarantee of RMB100,000,000.00, which is the comprehensive bank credit amount offered by Bank of Ningbo, Nanjing Branch, to Nanjing Panda Information Industry Co., Ltd., subsidiary of The Company. The guarantee has a period from 1st July, 2016 to 30th June, 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Information Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Information Industry Co., Ltd. has used RMB222,713.54 of its total comprehensive bank credit, of which RMB222,713.54 is guaranteed in the form of letter of guarantee offered by The Company.

Note 4: The Company offers maximum guarantee of RMB170,000,000.00, which is the comprehensive bank credit amount offered by Pingan Bank, Nanjing Branch to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The credit has a period from 29th September 2018 to 30th June 2019. The credit lasts for 1 year from the contract signed and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Equipment Co., Ltd. has used RMB117,352,911.29 of its total comprehensive bank credit, of which RMB5,998,832.00 is guaranteed by The Company in the form of letter of guarantee, RMB15,763,610.4 is guaranteed in the form of bank acceptance bill, RMB45,000,000.00 is guaranteed by credit loans and RMB56,589,300.82 in the form of letter of credit (of which JPY 840,435,000.00, the exchange rate is 100JPY/RMB 6.1887 with intermedium price in interbank foreign exchange and converted to RMB55,853,172.22 and RMB736,128.60 is in form of letter of credit).

Note 5: The Company offers maximum guarantee of RMB30,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Maigao Bridge Branch to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The credit has a period from 14th December 2018 to 5th November 2019. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB12,987,413.73 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, RMB9,960,622.33 is guaranteed in the form of bank acceptance bill.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

Note 6: The Company offers maximum guarantee of RMB100,000,000, which is the comprehensive bank credit amount offered by China Electronics Finance Co., Ltd, to Nanjing Panda Electronic Equipment Co., Ltd, a subsidiary of The Company. The bank credit has duration from 20th July 2018 to 20th July 2019 and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB63,972,166.48 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, RMB50,000,000.00 is guaranteed in form of credit loans, RMB1,721,000.00 is guaranteed in the form of bank acceptance bill.

Note 7: The Company offers maximum guarantee of RMB40,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Equipment Co., Ltd, subsidiary of The Company. The bank credit has duration from 24th July 2017 to 16th June 2018, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB0.00 of its total comprehensive bank credit

Note 8: The Company offers irrevocable maximum guarantee of RMB60,000,000.00, which is the comprehensive bank credit amount offered by China Merchant Bank, Nanjing Branch, Chengdong Branch, to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of The Company. The credit has a period from 1st November 2017 to 31st October 2018. The guarantee has a period from the date the guarantee is signed to the due date of each loan or to other financing agreements or the due date of received account receivables by China Merchant Bank, Nanjing Branch, or advance in cash, plus 2 years. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Manufacture Co., Ltd. has used RMB21,494,575.20 of its total comprehensive bank credit, of which RMB20,658,101.10 is guaranteed by The Company in the form of bank acceptance bill and RMB836,474.10 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, Beijing West Road Branch, to Nanjing Panda Electronic Manufacture Co., Ltd., subsidiary of The Company. The guarantee has a period from 16th January 2018 to 30th November 2019. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Manufacture Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Manufacture Co., Ltd has used RMB37,085,877.51 of its total comprehensive bank credit, of which RMB37,085,877.51 is guaranteed by The Company in the form of bank acceptance bill.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

4. Guarantee in related party transactions (Continued)

Note 10: The Company offers maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch, to Nanjing Panda Electronic Manufacture Co., Ltd, subsidiary of The Company. The bank credit has duration from 24th December 2018 to 30th June 2019, and the guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Electronic Equipment Co., Ltd offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Electronic Equipment Co., Ltd has used RMB6,268,005.47 of its total comprehensive bank credit, of which RMB6,268,005.47 is guaranteed by The Company in the form of bank acceptance bill.

Note 11 : The Company offers irrevocable maximum guarantee of RMB50,000,000.00, which is the comprehensive bank credit amount offered by Shanghai Pudong Development Bank, Nanjing Branch to Nanjing Huage Electronic Plastic Industry Co., Ltd., sub-subsidiary of The Company. The guarantee has a period from 24th July, 2017 to 16th June, 2018. The guarantee lasts for 2 years from the deadline of performance of the debtor. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 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-subsidiary of The Company. The guarantee has a period from 10th September 2018 to 10th September 2019. The guarantee lasts for 2 years from the deadline of performance of the debtor. If any of the above has extended their credit period, the guarantee period is extended accordingly, plus 2 years. Nanjing Huage Electronic Plastic Industry Co., Ltd. offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Huage Electronic Plastic Industry Co., Ltd. has used RMB14,758,239.07 of its total comprehensive bank credit, of which RMB14,758,239.07 is guaranteed in the form of bank acceptance bill offered by The Company.

Note 13: The Company offers maximum guarantee of RMB15,000,000.00, which is the comprehensive bank credit amount offered by Industrial Bank, Nanjing Branch, Beijing West Road Branch, to Nanjing Panda Machine Electricity Manufacturing Co., Ltd, a sub-subsidiary of The Company. The guarantee has a period from 10th December 2018 to 8th November 2019. The guarantee lasts for 2 years from the deadline of performance of the debtor. Nanjing Panda Machine Electricity Manufacturing Co., Ltd offers its total assets as counter guarantee. As of 31st December 2018, Nanjing Panda Machine Electricity Manufacturing Co., Ltd has used RMB6,180,000.00 of its total comprehensive bank credit, of which RMB6,180,000.00 is guaranteed by The Company in the form of bank acceptance bill.

Conclusively, As of 31st December 2018, total guarantee offered by The Company amounting to RMB370,712,021.61, of which RMB112,395,455.95 is for acceptance bill guarantee, RMB105,890,790.74 is for letter of guarantee, and RMB95,000,000.00 is for credit loan guarantee, RMB57,425,774.92 for letter of credit. (As of 31st December 2016, total guarantee offered by The Company amounting RMB298,218,859.04 of which RMB109,253,510.60 is for acceptance bill guarantee, and RMB95,318,449.33 is for letter of guarantee and RMB45,000,000.00 is for credit loan guarantee, RMB48,646,899.11 is for letter of credit).

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

5. Capital borrowing and lending with related party

Related party	Amount	Beginning Date	Closing Date	Note
Borrowing in	Nil			
Lending out	Nil			

6. Other related party transactions

Company name	Type of transaction	Current period	Preceding period
China Electronics Finance Co., Ltd (Note 1)	Receipt of interests	5,776,981.09	2,384,350.67
China Electronics Finance Co., Ltd (Note 1)	Payment of interests	1,534,583.33	
China Electronics Finance Co., Ltd (Note 1)	Payment of discounted interest	285,364.09	1,242,654.96
Nanjing China Electronics Panda Furniture Company Limited (Note 2)	Trademark licensing	312,452.83	476,066.04

By the end of December 31, 2018, loan balance of the Company was RMB50,000,000.00, deposit balance was RMB499,264,539.98, receipt of discounted notes was RMB39,198,666.76 and payment of discounted interests was RMB285,364.09 in the China Electronics Finance Co., Ltd.

The Company entrusts China Electronics Finance Co., Ltd manage finance freely. The wealth investment is principle guaranteed and the period is 3 months. The amount is RMB0.225 billion in the year of 2018. The income from investment is RMB2.642 million. The amount of RMB0.00 of wealth investment product has not been expired.

The notes receivable of the Company which have been discounted to China Electronics Finance Co., Ltd but has not been terminated amounting to RMB0.00.

Note 1: The Company resigned "financial service agreement (hereafter referring as agreement)" with Financial Company in the year of 2018. According to the agreement, under the circumstance of national laws and regulations as well as financial institutions operating principles, Financial Company provides financial services not only include financial consulting, credit visa service, other related consulting, agency service, offering for guarantee, notes bills, notes discounted, deposit service and other financial services. The ceiling for the integrated credit balance to be provided by Financial Company to the Company amounted to RMB600.00 million and the ceiling for the fund settlement balance with Financial Company amounted to RMB500.00 million. The valid period is 3 years from the effective date of the contract. The above agreement had been approved at the first extraordinary general meeting at 28th December 2018.

Note 2: The pricing strategy in which related parties are allowed to use the company's trademark: for every color TV set sold by related parties, the company charges RMB2.00 to RMB5.00 as license. Considering that entering market overseas is more costly and recourse consuming, if products manufactured and sold are used for export purposes or these businesses encounter losses, license fee that the company charges will be allowed to decrease.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

7. Remuneration of key management

Item	Current period	Preceding period
Remuneration of key management	5.9387 million	5.1998 million

The key management includes directors, supervisor, general manager, vice manager and secretary of the board, totally to 19 and 11 of which is paid from the Company.

The remuneration of directors and supervisor (RMB ten thousand)

Current period

Name	Director's fee	Salary and allowance	Pension scheme	Others	Total
Directors					
Guofei XU					
Kuanyi CHEN					
Qing LU					
Weiming DENG					
Dechuan XIA		72.09	5.22		77.31
Gan GAO					
Jie DU	13.68				13.68
Chun ZHANG	13.68				13.68
Yajun GAO					
Weixun ZHU	13.68				13.68
Supervisors					
Changbai TU					
Yunfeng SONG		65.24	5.22		70.46
Yuxin ZHOU		27.29	5.22		32.51

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

7. Remuneration of key management (Continued)

The remuneration of directors and supervisor (RMB ten thousand) (Continued)

Preceding period

Name	Director's fee	Salary and allowance	Pension scheme	Others	Total
Directors					
Guofei XU					
Kuanyi CHEN					
Qing LU					
Weiming DENG					
Dechuan XIA		60.94	3.99		64.93
Gan GAO					
Jie DU	8.00				8.00
Weixun ZHU	8.00				8.00
Chun ZHANG	8.00				8.00
Supervisors					
Changbai TU					
Yunfeng SONG		53.87	3.99		57.86
Yuxin ZHOU		25.66	3.99		29.65

Note 1: On May 24, 2018, the Company held the 17th meeting of the 8th Board of Directors, deliberating to nominate Mr. Guofei XU, Mr. Kuanyi CHEN and Mr. Dechuan XIA as candidates for executive directors of the 9th Board of Directors of the Company, and nominate Mr. Qing LU, Mr. Weiming DENG and Mr. Gan GAO as candidates for non-executive directors of the 9th Board of Directors of the Company. The meeting also deliberated to nominate Ms. Jie DU, Mr. Chun ZHANG and Mr. Yajun GAO as candidates for the independent non-executive directors of the 9th Board of Directors. These candidates were appointed to the Company's 2017 Annual General Meeting of Shareholders on June 29th 2018 and the term is three years.

Note 2: On May 24 2018, the Company held the 16th meeting of the 8th Board of Supervisors, deliberating to pass the nomination of Mr. Changbai TU as the candidate for the non-employee supervisor of the 9th Board of Supervisors, and confirming that Mr. Yunfeng SONG and Mr. Yuxin ZHOU were the employee supervisors of the 9th Supervisory Committee of the Company. Mr. Changbai TU was appointed at the Company's 2017 Annual General Meeting of Shareholders on June 29th 2018. The Company's 9th Supervisory Committee consists of MR Changbai TU and employee supervisors of Mr. Yunfeng SONG and Mr. Yuxin ZHU, and the term is three year.

Note 3: The Chairman of the Board of Supervisors, Changbai TU, resigned on December 27th 2018 and there was no remuneration for him in this period; The independent director of Weixun ZHU left his post on June 30th 2018 and the current remuneration for him was RMB0.1368 million.

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(V) Related parties transactions (Continued)

7. Remuneration of key management (Continued)

The remuneration of top five:

No directors are in the list of top five who got the highest remuneration in the year of 2017 and 2018. The details of top five who got the highest remuneration in the year of 2017 and 2018 are as follows:

Item	RMB ten thousand (the year of 2018)	RMB ten thousand (the year of 2017)
Salary and allowance	486.00	438.00
Pension scheme	26.10	19.95
Others		
Total	512.10	457.95

Salary range	Number of people	
	Current period	Preceding period
Between RMB0.00 and RMB1,000,000.00	3.00	4.00
Over RMB1,000,000.00	2.00	1.00

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Chengdu China Electronic Panda Display Technology Co., Ltd	101,915,790.71			
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	84,361,250.24		219,638,080.32	
	Nanjing Panda Handa Technology Co., Ltd	82,624,701.99	33,649.21	59,736,132.38	33,649.21
	Nanjing CEC Panda LCD Technology Co., Ltd.	54,170,251.31		21,338,913.06	
	Guizhou Zunyi Hualong New Material Co., Ltd	23,999,317.50		30,198,680.00	
	Nanjing Panda Investment Development Co., Ltd	16,071,082.51		35,559,458.86	
	Nanjing Panda Electronics Import/Export Co., Ltd	12,214,317.84	76,756.38	25,146,791.34	695,611.41
	Xianyang Caihong Optoelectronics Technology Co., Ltd	10,349,807.07		90,396,976.00	
	Shenzhen Jinghua Network Marketing Co., Ltd	9,500,000.00		11,266,800.00	
	IRICO (Hefei) LCD Glass Co., Ltd.	3,500,000.00		7,415,200.00	
	Caihong Group Co., Ltd	1,081,078.00			
	Nanjing CEC Panda Real Estate Co., Ltd.	897,208.60		158,803.63	
	Nanjing China Electronics Panda Appliances Co., Ltd	486,120.00		1,903,780.00	
	Nanjing Ericsson Panda Communication Co., Ltd.	273,063.69		225,460.13	1,404.00
	China Great Wall Technology Group Co., Ltd	219,245.26		347,183.89	
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	209,047.01		13,709,014.18	
	Panda Electronic Group Co., Ltd.	173,933.21		212,539.44	146,659.19
	Nanjing Panda Technology Park Development Company Limited	75,295.00			
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd	67,200.00			
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	38,380.00		38,380.00	
	Nanjing Electronics Information Industrial Corporation	37,065.00		90,342.00	

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI) Balance due to or from related parties (Continued)

1. Balance due from related parties (Continued)

Items	Related parties	Closing balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
	Langfang China Electronics Panda Crystal Technology Co., Ltd.	3,240.00	3,240.00	3,240.00	3,240.00
	Nanjing Panda Jinling Hotel Co., Ltd	2,227.10		2,227.10	
	Wuhan Zhongyuan Electronics Group Co., Ltd	2,000.00		2,000.00	2,000.00
	Nanjing Huadong Electronic Information Technology Co., Ltd	1,200.00			
	Shanxi Caihong Electronics Glass Co., Ltd.			10,898,078.00	
	Liyang Panda Cuizhuyuan Hotel Co., Ltd			170,226.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.			163,700.00	163,700.00
	Nanjing Sanle Electronic Information Co., Ltd			84,000.00	
	Nanjing Thales Panda Transportation System Co., Ltd			39,086.73	39,086.73
	Panda (Beijing) International Information Technology Co., Ltd			32,000.00	
	China Electronics Equipment International Co., Ltd.			9,093.25	
Contract assets	Xianyang Caihong Optoelectronics Technology Co., Ltd	75,297,385.13			
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	65,948,172.79			
	Guizhou Zunyi Hualong New Material Co., Ltd	7,999,772.50			
	IRICO (Hefei) LCD Glass Co., Ltd.	7,415,200.00			
	Caihong Group Co., Ltd	6,800,000.00			
	Nanjing CEC Panda LCD Technology Co., Ltd.	4,240,854.36			
	Xianyang CE Caihong Group Holdings Co., Ltd.	1,176,153.84			
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.	1,007,897.40			

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI) Balance due to or from related parties (Continued)

1. Balance due from related parties (Continued)

Items	Related parties	Closing balance		Beginning balance		
		Book balance	Bad debt provision	Book balance	Bad debt provision	
Notes receivable	Nanjing CEC Panda LCD Technology Co., Ltd.	87,368,530.00				
	Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.	58,000,000.00		158,405,779.47		
	Chengdu China Electronic Panda Display Technology Co., Ltd.	46,631,199.00		2,000,000.00		
	Nanjing Panda Handa Technology Co., Ltd.	9,360,000.00		34,390,000.00		
	IRICO (Hefei) LCD Glass Co., Ltd.	1,497,560.00				
	Nanjing Panda Electronics Import/Export Co., Ltd.	1,042,459.32		235,500.00		
	Caihong Group Co., Ltd.	867,000.00				
	Nanjing China Electronics Panda Appliances Co., Ltd.	496,181.72		1,122,830.00		
	Guizhou Zunyi Hualong New Material Co., Ltd.			5,000,000.00		
	Nanjing CEC Panda LCD Materials Technology Co., Ltd.			4,000,000.00		
	Advance payment	Shanghai Panda Huning Electronic Technology Co., Ltd.	374,340.00			
		Nanjing Panda Electronics Import/Export Co., Ltd.	162,139.26		134,202.95	
		Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd.	106,400.00			
Panda Electronic Group Co., Ltd.		69,921.75		69,921.75		
Nanjing CEC Panda Flat Panel Display Technology Co., Ltd.		34,198.80		1,567,461.60		
Nanjing CEC Panda LCD Technology Co., Ltd.		20,061.73		89,640.59		
Chengdu China Electronic 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 Company		0.01				
China Electronics Import and Export Co., Ltd.				1,069,955.20		
Xianyang Caihong Optoelectronics Technology Co., Ltd.				44,060.00		
Dividend receivable		Beijing SE Putian Mobile Communications Co., Ltd.	18,859,839.55			

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI) Balance due to or from related parties (Continued)

2. Payables

Items	Related parties	Closing balance	Opening balance	
Accounts payable	Nanjing Panda Electronics Import/Export Co., Ltd	21,455,349.86	26,006,028.14	
	Panda Electronic Group Co., Ltd.	4,251,813.17	2,320,179.89	
	Nanjing Zhenhua Packing Material Factory	1,174,287.21	2,606,418.25	
	Nanjing Panda Transport Co., Ltd	671,612.39	297,102.39	
	Guizhou Zhenhua Hualian Electronics Co., Ltd	272,480.00	313,991.00	
	Nanjing China Electronics Panda Appliances Co., Ltd	146,644.40	147,694.40	
	Nanjing China Electronics Panda Crystal Technology Co., Ltd	137,649.27	221,440.58	
	Nanjing CEC Panda illumination Co., Ltd.	108,707.15	88,533.15	
	Guizhou Zhenhua Qunying Electrical Appliance Co. Ltd	97,630.00	5,230.00	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	95,858.00	366,722.94	
	China Zhenhua Group Yunke Electronics Co., Ltd	17,632.00	17,632.00	
	Nanjing Panda Handa Technology Co., Ltd	1,346.00	5,536.00	
	Beijing China Electronics Guangtong Technology Co., Ltd.		1,102,743.00	
	Shenzhen China Electronics Huaxing Electronic Technology Co., Ltd		403,200.00	
	Shanghai Panda Huning Electronic Technology Co., Ltd.		168,750.00	
	Nanjing Changjiang Electronics Information Industry Group Co., Ltd.		53,950.00	
	Shenzhen China Electronics Technology Co., Ltd		17,000.00	
	Nanjing Thales Panda Transportation System Co., Ltd		16,410.02	
	Notes payable	Xianyang Caihong Intelligent Equipment Co., Ltd.	1,170,000.00	
		Nanjing Zhenhua Packing Material Factory	597,309.92	

Notes to the 2018 Financial Statements (Continued)

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

X. Related party relationship and transactions (Continued)

(VI) Balance due to or from related parties (Continued)

2. Payables (Continued)

Items	Related parties	Closing balance	Opening balance	
Other payables	Nanjing Panda Investment Development Co., Ltd	21,166,211.85		
	Panda Electronic Group Co., Ltd.	6,970,553.13	8,098,223.19	
	China Electronics Import and Export Co., Ltd	195,539.62	194,539.62	
	Nanjing Electronics Information Industrial Corporation	43,500.00	55,200.00	
	China Electronics Corporation	40,000.00	34,040,000.00	
	Nanjing Panda Transport Co., Ltd	35,533.25	87,355.14	
	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	
	Liyang Panda Cuizhuyuan Hotel Co., Ltd	4,668.00	1,976,818.17	
	Nanjing Panda Dasheng Electronics Technology Co., Ltd	200.00	200.00	
	Nanjing Thales Panda Transportation System Co., Ltd		860,265.92	
	Nanjing Panda Electronics Materials Utilization Company		10,000.00	
	Nanjing CEC Panda Real Estate Co., Ltd.		5,000.00	
	Contract Liabilities	Chengdu China Electronic Panda Display Technology Co., Ltd	2,117,799.59	
		Liyang Panda Cuizhuyuan Hotel Co., Ltd	1,190,443.38	
		Panda Electronics Import and Export (Hong Kong) Co., Ltd.	1,167,375.42	
Advances received	Nanjing China Electronics Panda Appliances Co., Ltd	12.50	5,518.67	
	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 Panda Transport Co., Ltd		1,583.07	
Panda Electronic Group Co., Ltd.		621.83		

Notes to the 2018 Financial Statements (Continued)

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

XI. Share-based payment

Nil

XII. Government grants

(I) Government grants related to assets

Item	Amount	Account in the balance sheet	Amount recorded in the profits and losses or deducted related costs		Account recorded in the profits and losses or deducted related costs
			Current period	Preceding period	
Auto-transferring system industrialisation of new panel display industry	7,050,224.14	Deferred income	934,095.96	934,095.96	Other income

(II) Government grants related to income

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Preceding period	
Special Project for Technical Transformation of Electronic Information Industry for the year of 2017	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	8,120,000.00			
New model project	5,000,000.00			
Key research on ultra HD virtual reality human-computer interaction based on eye tracking	4,000,000.00			
Development of Intelligent Monitoring System for Oil and Gas Pipeline Based on Distributed Optical Fiber Sensing and Internet	900,000.00			
Provincial high-end equipment catching up with special project funds	620,000.00			
Special funds for transformation and upgrading of industry and information industry	200,000.00			

Notes to the 2018 Financial Statements (Continued)

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

XII. Government grants (Continued)

(II) Government grants related to income (Continued)

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Proceeding period	
Steady post subsidies i	940,307.45	940,307.45	1,249,456.56	Other income
Tax refund	433,715.84	433,715.84	2,118,053.88	Other income
Reward for High-tech Enterprise	1,550,000.00	1,550,000.00		Non-operating income
Fund from Shenzhen Science and Technology Innovation Committee	1,092,000.00	1,092,000.00		Non-operating income
Provincial financial reward for research and development expenses for the year of 2017	714,000.00	714,000.00		Non-operating income
Domestication of subway gates	500,000.00	500,000.00		Non-operating income
Xuanwu Financial Appropriation (Industrial and Informatization Fund)	500,000.00	500,000.00		Non-operating income
Subsidy of participating in intelligence exhibition	480,000.00	480,000.00	396,000.00	Non-operating income
Multi-terminal collaboration key technology under ubiquitous network	204,500.00	204,500.00		Non-operating income
Funding Program for Enterprise Domestic Market Development Project of the year of 2018	59,520.00	59,520.00		Non-operating income
High-tech talent overseas training class subsidy for the year of 2018	40,000.00	40,000.00		Non-operating income
Award of Nanjing annual standard qualified enterprise for the year of 2018	40,000.00	40,000.00		Non-operating income
Special funds for foreign trade and economic development for the year of 2017	26,600.00	26,600.00		Non-operating income
Second batch of funding for patent application	16,000.00	16,000.00		Non-operating income
Wastewater reached the discharging standard	10,000.00	10,000.00		Non-operating income
Futian District Enterprise Development Service Center Technology Innovation – Patent Support Bonus	8,000.00	8,000.00		Non-operating income
Talk about ideal, make contribution” characteristic project subsidy by municipal bureau of finance for the year of 2017	5,000.00	5,000.00		Non-operating income
Provincial and municipal patent special awards for the year of 2017	5,000.00	5,000.00		Non-operating income
Funds for the Provincial Intellectual Property Program for the year of 2018 (third batch)	3,000.00	3,000.00		Non-operating income

Notes to the 2018 Financial Statements (Continued)

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

XII. Government grants (Continued)

(II) Government grants related to income (Continued)

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Preceding period	
Invention patent grant funding for the year of 2017	2,000.00	2,000.00		Non-operating income
City technology Development Plan and Technology Funding Indicators	2,000.00	2,000.00		Non-operating income
Finance Commission of Shenzhen Municipality subsidy (Economic, Trade and Information Commission of Shenzhen Municipality "Grants program of Shenzhen industrial design application")			2,390,000.00	Non-operating income
Research and industrialisation of high nationalisation robot and intelligent equipment sets			1,880,000.00	Non-operating income
Special fund for guidance of new industry (development zone)			1,000,000.00	Non-operating income
Low-energy high/super high frequency RFID chains and application demonstration			900,000.00	Non-operating income
Guidance of new industry in Qinhui District in 2016			300,000.00	Non-operating income
Special fund for business development in 2017			266,300.00	Non-operating income
Special fund for industry transformation and updating			100,000.00	Non-operating income
Grants from Nanjing water bureau			60,000.00	Non-operating income
Sponsor for High-Tec overseas talent			40,000.00	Non-operating income
Shenzhen private, small and medium size enterprise development funds ("small and medium development fund for domestic market development plan" issued by Shenzhen small and medium enterprise office)			32,670.00	Non-operating income
Sponsor for patent policy in 2016			26,000.00	Non-operating income
Shenzhen Futian District Enterprise Development Service Center "Patent and Software Copyright" Award (Fifth Support Enterprise and Project of Shenzhen Futian District Enterprise Development Center "2016 Futian District Industrial Development Special Fund Science and Technology Innovation Sub-project)			21,700.00	Non-operating income

Notes to the 2018 Financial Statements (Continued)

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

XII. Government grants (Continued)

(II) Government grants related to income (Continued)

Item	Amount	Amount recorded in the profits and losses or deducted related costs		Amount recorded in the profits and losses or deducted related costs
		Current period	Preceding period	
Science and technology reward in the year of 2016		20,000.00		Non-operating income
Allowance of producing environment-friendly		20,000.00		Non-operating income
Sponsor for patent policy in 2016		18,500.00		Non-operating income
Unemployment fee ("Notice of steady post subsidies with unemployment insurance" (Shen Ren She Gui [2016] No.1))		13,892.35		Non-operating income
Golden bridge project reward in the year of 2016		5,000.00		Non-operating income
Special fund subsidies in the year of 2016		4,000.00		Non-operating income
Science lecture hall delegation fee		4,000.00		Non-operating income
China association for science and technology delegation fee		4,000.00		Non-operating income
Subsidies of patent for innovation in the year of 2016		2,000.00		Non-operating income
Application for patent fund ("Notice of Shenzhen first round application for patent fund in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)		2,000.00		Non-operating income
Subsidies of patent		2,000.00		Non-operating income
Subsidies of computer patent ("Notice of Shenzhen first round application for computer patent fund list in 2017" issued by Market and quality supervision commission of Shenzhen Municipality)		600.00		Non-operating income

Notes to the 2018 Financial Statements (Continued)

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

XIII. Commitments and contingencies

(I) Significant commitments

1. Significant commitments at the balance sheet date

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

Item	Closing balance	Opening balance
Within 1 year	4,545,601.85	9,543,103.38
1-2 year	47,280.00	3,933,515.38
2-3 year		210,000.00
Total	4,592,881.85	13,686,618.76

At financial statement date, commitment made by the company that has been contracted but not listed on the Statement of Financial Position is shown below:

Item	Closing balance	Opening balance
Housing and building	1,056,830.00	384,030.00
Machinery and Equipment	9,942,870.91	
Intangible assets/software	1,678,300.00	
Total	12,678,000.91	384,030.00

(II) Contingencies

Nanjing Panda Electronic Equipment Co., Ltd. (hereinafter referred to as "Electronic Equipment"), a subsidiary of the Company, filed a lawsuit against Jiangsu Zhongshi Environment Technology Co., Ltd. (hereinafter referred to as "Zhongshi Environment") to the People's Court of Qixia District, Nanjing City, Jiangsu Province in July 2018. Electronic equipment and Zhongshi Environment signed the "equipment sales contract" on November 17th 2015. The contract said that Zhongshi Environment would purchase "anaerobic high-heat sludge carbonisation" treatment and disposal system equipment with a total amount of RMB11.50 million. When Electronic Equipment filing the lawsuit, Zhongshi Environment still did not pay RMB6.50 million for the equipment. the Xuanwu District People's Court of Nanjing City, Jiangsu Province, made an arbitral on 7th January 2019, judging the defendant Zhongshi Environment is supposed to pay RMB6.50 million for the equipment and RMB180,000.00 in legal fees, totalling to RMB6.68 million within 5 days from the date of the legal effect of this judgment. At the same time, Zhongshi Environment should pay the interest at the interest of 0.05% per day calculated based on RMB6.50 million from July 24th 2016 to the date of actual payment and the immovable property should be guaranteed by a mortgage provided by Zhongshi Environment (certificate of house ownership is Su (2016) Jingjiang Immoveable Property Rights No. 0011567).

Notes to the 2018 Financial Statements (Continued)

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

XIV. Events after balance sheet date

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

(II) Profit distribution

After the passing of the profit distribution proposal for 2018 at the 9th Board meeting of the fourth section of Board of Directors, the company decided to distribute dividend based on the share capital of 913,838,529.00 shares at the end of the financial reporting period. The cash dividend per 10 share was RMB0.80 (including tax) and RMB73,107,082.32 in total. The profit distribution proposal has been approved by the shareholders meeting and implemented.

(III) Sales return

There is no significant sales return after balance sheet date

(IV) No held-for-sales assets and asset portfolios which have not been disclosed

(V) Notes about events after balance sheet date

1. Shareholders reducing shareholding

The Company received a written document of the reduction plan from China Huarong Asset Management Co., Ltd. (hereinafter referred to as "China Huarong") on 2nd January 2019. The main content of the reduction plan is: Due to the operating consideration, China Huarong proposed to reduce the holding of no more than 18,276,770 A shares, accounting for 2.00% of the Company's total share capital. The reduction period is within six months after fifteen trading days from 2nd January 2019. The reserve price is 9.00 RMB/share. The reduction method is centralised bidding.

As of 2nd January 2019, China Huarong Asset Management Co., Ltd., the major shareholder of the Company, held 82,357,867 A shares of the Company, accounting for 9.01% of total share capital, of which were unrestricted shares. The source of the shareholding is from shareholding replacement.

China Huarong promised to reduce no more than 1.00% of the total number of shares of the listed company through Stock Exchange within 90 consecutive days. China Huarong will decide whether to implement this share reduction plan based on market conditions and the Company's share price. There is uncertainty about the reduction of holding time and the reduction of the price.

The implementation of the above reduction plan will not lead to the risk of changes in the control of the listed company.

Notes to the 2018 Financial Statements *(Continued)*

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

XIV. Events after balance sheet date *(Continued)*

(V) Notes about events after balance sheet date *(Continued)*

2. Guarantee for subsidiaries

On 28th January 2019, the Company provided the highest irrevocable guarantee for the bank's comprehensive credit of RMB60.00 million offered by the Nanjing West Road Branch of Industrial Bank Co., Ltd to Nanjing Panda Electronics Manufacturing Co., Ltd., a second-level subsidiary of the Company. The valid period is to 30th June 2019. Nanjing Panda Electronics Manufacturing Co., Ltd provided counter guarantees for all of its assets.

On February 27, 2019, the Company provided the highest irrevocable guarantee for comprehensive credit of RMB60.00 million offered by Bank of China Merchants Bank Co., Ltd. Nanjing Branch to Nanjing Panda Electronics Manufacturing Co., Ltd a second-level subsidiary. The valid period is to 30th June 2019. Nanjing Panda Electronics Manufacturing Co., Ltd. provided counter guarantees for all of its assets.

As of 27th February 2019, the Company's actual guarantee balance for Electronic Manufacturing was RMB72,312,200.00, which was within the approved amount of the Shareholders' Meeting.

3. Liquidation of associated enterprises

The company's joint venture, Beijing Soiputian Mobile Communications Co., Ltd. (20%), entered the liquidation period on March 28, 2019 on the board of directors.

XV. Other significant events

(I) No accounting error correction of prior period

(II) Asset replacement

Events related to exchanging non-monetary assets during the current period

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 make use of the building with the equivalent square which is owned by its wholly-owned subsidiary Nanjing Panda Investment and Development Co., Ltd to exchange the No. 54 Building and Appurtenances. The non-monetary asset exchange is approved by the 8th temporary Board Meeting and 1st temporary shareholders Meeting in the year of 2017.

The Company has finished the transaction in December 2018. According to the valuation report of Dong Zhou Ping Bao Zi (2017)No. 0817 and No. 0416 by Shanghai Orient Asset Appraisal Co., Ltd., it is confirmed that the transaction price of Building No. 54 is RMB671.54 million, and the compensation of this transaction is RMB691.296297 million. The Company has to pay the difference of RMB211.662 million.

Notes to the 2018 Financial Statements (Continued)

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

XV. Other significant events (Continued)

(III) Annuity plan

Apart from basic endowment insurances, the Company established an enterprise annuity plan based on the relevant policies of the national annuity system. The annuity plan fits for officially employed employees and the employees who have worked for the Company for over one year. The annuity maintenance model adopts a certain type of mode. The Company pays annuity for employees is based on total salary of the previous year. The contribution rate is temporarily set at 5.00%, and the personal contribution ratio is temporarily set at 1.00%. The corresponding expenditure is recognised in profits and losses.

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 15.00% of eligible employee's total annual salary, the amount is brought to profit or loss for the year. Apart from the above, the company and its subsidiaries makes no major social security commitments to their employees.

(IV) No events related to termination of business at the end of the period.

(V) Segment reports

1. The basis of determination accounting policy for segment information

The company established 4 parts of segment reports on the basis of the internal organisational structure, management requirement and internal report system. They are intelligent city industry, electronic manufacturing service, intelligent manufacturing industry and others. Each segment provides different products and service, or activities from different areas. Due to the different demands of each segment applying for different technology and marketing strategy, the company's management control the different segments of business activities separately, and evaluate the operating results on a regular basis in order to allocate resources and evaluate its performance.

The transfer price between different segment is based on the market value and the joint cost which should belong to each segment is allocated in accordance of the corresponding proportion. Assets are allocated in accordance of business performance and location. Liabilities include the liabilities caused by business activities which belong to its own segment. If the costs related to a joint liability, the liability would be allocated to different segments at the proportion.

Non-current assets are divided into different areas and the non-current assets do not include available-for-sale financial assets and deferred income tax assets. All the non-current assets of the Company are located in the China Mainland.

Notes to the 2018 Financial Statements (Continued)

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

XV. Other significant events (Continued)

(V) Segment reports (Continued)

2. Financial information of the reported segment

Item	Intelligent city industry	Electronic manufacturing service	Intelligent manufacturing industry	Other products	Undistributed	Eliminations among segments	Total
Trade income from third party	1,866,305,364.97	1,584,416,113.13	1,022,214,985.30	27,569,189.74			4,500,505,653.14
Trade income between segments	103,677,423.52	64,901,941.68	24,456,554.24	36,267,333.16		-229,303,252.60	
Investment income from joint ventures and associated enterprises		781,744.44			45,790,347.38		46,572,091.82
Impairment of assets	368,982.64	163,356.49	1,444,552.23	232,935.36			2,209,826.72
Credit impairment	10,673,563.50	-338,958.82	342,412.70	2,096,247.56	-15,268,073.78	15,924,833.62	13,430,024.78
Depreciation and amortisation expense	3,812,332.66	26,632,288.49	5,571,725.42	76,554,771.82	81,406,946.11		193,978,064.50
Total Profit	138,582,479.23	150,796,437.17	30,213,708.28	-38,371,857.33	41,977,669.73	-72,194,125.17	251,004,311.91
Income tax expense	5,642,298.87	26,278,296.20	2,729,102.00	3,166,578.73		653,935.84	38,470,211.64
Net profit	132,940,180.36	124,518,140.97	27,484,606.28	-41,538,436.06	41,977,669.73	-72,848,061.01	212,534,100.27
Total assets	1,946,201,770.67	1,561,297,699.77	1,215,193,791.00	774,615,269.11	3,034,086,257.74	-2,346,775,764.31	6,184,619,023.98
Total liabilities	1,222,084,428.64	721,246,302.64	797,724,381.37	145,548,814.63	233,489,262.04	-627,352,526.64	2,492,740,662.68
Other non-cash expense beside Depreciation and amortisation expense							
Long term investment for joint ventures and associated enterprises				1,686,460.76	292,088,624.00		293,775,084.76
Increase in other non-current assets besides long-term investment	19,951,164.57	18,245,769.47	6,121,876.89	-29,330,943.76	237,143,698.83	-1,201,222.23	250,930,343.77

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

Notes to the 2018 Financial Statements (Continued)

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

XV. Other significant events (Continued)

(VII) Other events

1. In April 2018, Nanjing Huage Electronics Plastic Industry Co., Ltd. (hereinafter referred to as "Huage Plastic Industry"), a third-level subsidiary of the Company, did not collect, store or replace activated carbon as required during the renovation of the paint recycling wastewater treatment facility. It was against the regulation of "People's Republic of China Fixed Waste Pollution Prevention and Control Law". The Nanjing Environmental Protection Bureau ordered Huage Plastics to correct environmental violations immediately and fined RMB52,000.00.
2. In November 2018, Nanjing Panda Electronic Equipment Co., Ltd. (hereinafter referred to as "Electronic Equipment"), a second-level subsidiary of the Company, received written decision of administrative penalty (Ningxin District Guanhuan [2018] No. 123) from the Environmental Protection and Water Affairs Bureau of the Nanjing Jiangbei New District Management Committee (hereinafter referred to as "Environmental Protection and Water Affairs Bureau") for its fraudulent behavior on collecting data from auto-monitoring of pollution sources. Environmental Protection and Water Affairs Bureau ordered Electronic Equipment to correct environmental violations immediately, and fined RMB30,000.00. Electronic Equipment has corrected the action and fine has been paid to the designated account.
3. In November 2018, Nanjing Huage Electronics Plastic Industry Co., Ltd. (hereinafter referred to as "Huage Plastic Industry"), a third-level subsidiary of the Company, received written decision of administrative penalty (Ning Jing Gong (Xiao)Xing Fa Jue Zi [2018] No.0064) from the Economic and Technological Development Zone Brigade of Nanjing Municipal Public Security Fire Detachment about locking the gate of emergency exit. According to the regulations of Article 60, paragraph 1 (3) of the "Fire Law of the People's Republic of China", Huage Plastic Industry was fined RMB10,000.00 and it has paid the above fine.

The above administrative penalties have not had a major impact on the production and operation activities of the Company, Electronic Equipment and Huage Plastics Industry. The Company has required the Company and related subsidiaries to further strengthen the study of environmental protection and fire protection laws and related regulations, and asked the subsidiaries to strictly follow the relevant regulations to avoid such incidents.

XVI. Notes to items of parent company financial statement

(I) Accounts Receivable

Items	Closing balance	Opening balance
Notes receivable	2,700,000.00	10,440,000.00
Accounts receivable	50,707,782.74	72,990,484.10
Total	53,407,782.74	83,430,484.10

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

1. Notes receivable

1.1. Notes receivable shown as classification

Type	Closing balance	Opening balance
Bank acceptance	2,700,000.00	10,440,000.00
Trade acceptance		
Total	<u>2,700,000.00</u>	<u>10,440,000.00</u>

1.2. There is no notes receivable which was pledged

1.3. 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	<u>1,430,000.00</u>	
Total	<u>1,430,000.00</u>	

1.4. There is no notes receivable turning into accounts receivable due to issuer's default at the year end.

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable

2.1.1. Accounts receivable shown by aging

Aging	Closing balance
Within 1 year (including 1 year)	37,855,533.07
Of which: 0-6 months	27,564,138.99
7-12 months	10,291,394.08
1-2 years	11,782,901.22
2-3 years	1,831,067.39
3-4 years	262,400.00
4-5 years	
Over 5 years	3,231,853.12
Total	54,963,754.80

Notes: the above amount is without bad debt provisions

2.1.2. Accounts receivable shown by classification of bad debt provisions

Type	Closing balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable accruing bad debt provision in individual portfolio	16,603,697.95	30.21	604,025.93	3.64	15,999,672.02
Of which:					
Accounts receivable with individual significance and accruing bad debt provision individually	16,603,697.95	30.21	604,025.93	3.64	15,999,672.02
Accounts receivable with individual insignificance but individually accruing bad debt provision					
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	38,360,056.85	69.79	3,651,946.13	9.52	34,708,110.72
Of which:					
The portfolio of aging	14,487,242.82	26.36	3,646,667.13	25.17	10,840,575.69
The portfolio of related parties	23,872,814.03	43.43	5,279.00	0.02	23,867,535.03
Total	54,963,754.80	100.00	4,255,972.06		50,707,782.74

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable (Continued)

2.1.2. Accounts receivable shown by classification of bad debt provisions (Continued)

Type	Opening balance				Carrying value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually	47,710,581.05	61.57			47,710,581.05
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio					
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio	29,785,060.33	38.43	4,505,157.28	15.13	25,279,903.05
Total	77,495,641.38	100.00	4,505,157.28		72,990,484.10

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable (Continued)

2.1.2. Accounts receivable shown by classification of bad debt provisions (Continued)

2.1.2.1. Accounts receivable accruing bad debt provision in individual portfolio

Debtor	Closing balance			Reason
	Account receivable	Bad debt provision	Percentage (%)	
Jiangsu Cable Network Development Co. Ltd Sihong Branch	6,314,000.00	543,650.00	8.61	Expected partly not to be recovered
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,145,757.95	36,044.93	0.70	Expected partly not to be recovered
China Cable Television Network Co., Ltd Hainan Branch	4,702,140.00	24,331.00	0.52	Expected partly not to be recovered
Huozhou No.2 Junior School	441,800.00			Expected to be recovered
Total	16,603,697.95	604,025.93		

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable (Continued)

2.1.2. Accounts receivable shown by classification of bad debt provisions (Continued)

2.1.2.2. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio

Type	Closing balance		
	Account receivable	Bad debt provision	Percentage (%)
The portfolio of aging	14,487,242.82	3,646,667.13	25.17
The portfolio of related parties	23,872,814.03	5,279.00	0.02
Total	38,360,056.85	3,651,946.13	

2.1.2.2.1. Accounts receivable accruing bad debt provision in aging portfolio

Aging	Closing balance		
	Carrying amount Amount	Percentage (%)	Bad debt provision
Within 1 year (including 1 year)	4,754,477.34	32.82	18,309.40
Of which: 0-6 months	4,388,289.34	30.29	
7-12 months	366,188.00	2.53	18,309.40
1-2 years	4,849,244.97	33.47	484,924.50
2-3 years	1,831,067.39	12.64	274,660.11
3-4 years	262,400.00	1.81	78,720.00
4-5 years			
Over 5 years	2,790,053.12	19.26	2,790,053.12
Total	14,487,242.82	100.00	3,646,667.13

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable (Continued)

2.1.2. Accounts receivable shown by classification of bad debt provisions (Continued)

2.1.2.2. Accounts receivable accruing bad debt provision in credit risk characteristic portfolio (Continued)

2.1.2.2.2. Accounts receivable accruing bad debt provision in other portfolio

The name of portfolio	Closing balance		
	Account receivable	Bad debt provision	Percentage (%)
The portfolio of related parties	23,872,814.03	5,279.00	0.02
Total	23,872,814.03	5,279.00	

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

Type	Opening balance	Changes during the period			Closing balance
		Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Other receivables effectively verified	
Accounts receivable accruing bad debt provision in individual portfolio	4,505,157.28	604,025.93	4,505,157.28		604,025.93
Of which: Accounts receivable with individual significance and accruing bad debt provision individually		604,025.93			604,025.93
Accounts receivable with individual insignificance but individually accruing bad debt provision	4,505,157.28		4,505,157.28		
Accounts receivable accruing bad debt provision in credit risk characteristic portfolio		3,651,946.13			3,651,946.13
Of which: Accounts receivable accruing bad debt provision in aging portfolio		3,646,667.13			3,646,667.13
Of which: Accounts receivable accruing bad debt provision in other portfolio		5,279.00			5,279.00
Total	4,505,157.28	4,255,972.06	4,505,157.28		4,255,972.06

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(I) Accounts Receivable (Continued)

2. Accounts receivable (Continued)

2.1.3. Provision, transfer and recovery of bad debts in the period (Continued)

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

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Anhui Guangdian Radio and Television Digital Technology Co., Ltd.	472,567.21	Specific provision	The amount has been received	Cash and Bank
Huozhou No. 2 Junior School	441,800.00	Specific provision	Winning the lawsuit	
Total	914,367.21			

2.1.4. There is no accounts receivable effectively verified in the period

2.1.5. The top five debtors of accounts receivable at the end of the year

Debtor	Closing balance		Bad debt provision
	Amount	Proportion of total account receivable (%)	
Nanjing Panda Handa Technology Co., Ltd	21,480,293.78	39.08	
Jiangsu Cable Network Development Co. Ltd Sihong Branch	6,314,000.00	11.49	543,650.00
Jiangsu Province Cable Broadcasting Network Co., Ltd Nanjing Branch	5,145,757.95	9.36	36,044.93
China Cable Television Network Co., Ltd Hainan Branch	4,702,140.00	8.55	24,331.00
Jiangsu Cable Network Development Co., Ltd. Suining Branch	2,290,500.00	4.17	
Total	39,932,691.73	72.65	604,025.93

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

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II) Other receivables

Items	Closing balance	Opening balance
Dividend receivable	18,859,839.55	973,887.56
Other receivables	276,564,143.89	250,940,596.42
Total	295,423,983.44	251,914,483.98

1. Dividend receivable

1.1. Details of dividend receivable

Items (or investee)	Closing balance	Opening balance
Beijing Sony Ericsson Mobile Communications Co., Ltd	18,859,839.55	
Nanjing Guanghua Electronics Plastic Casings Factory		973,887.56
Total	18,859,839.55	973,887.56

1.2. There is no dividend receivable over 1 year.

2. Other receivables

2.1. Other receivables shown by aging

Aging	Closing balance
Within 1 year (including 1 year)	26,394,964.83
Of which: 0-6 months	25,962,037.30
7-12 months	432,927.53
1-2 years	6,000,000.00
2-3 years	31,746,223.85
3-4 years	151,432,742.18
4-5 years	1,147,429.40
Over 5 years	60,984,835.06
Total	277,706,195.32

Notes: the above amount is without bad debt provisions

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

2.2. Other receivables classified by nature

Nature of receivables	Carrying amount at the end of the period	Carrying amount in the beginning of the year
Relevant party portfolio transactions	276,072,848.12	264,661,891.74
Others	1,633,347.20	2,327,046.08
Total	277,706,195.32	266,988,937.82

2.3. Provision, return and recovery of bad debts in this period

Items	Opening balance	The changes of this period			Closing balance
		Provision for bad debt incurred in current period	Provision for bad debt reversed or received	Other receivables effectively verified	
Other receivables accruing bad debt provision in individual portfolio	16,048,341.40	1,182,798.20	15,884,071.98	205,016.19	1,142,051.43
Other receivables accruing bad debt provision in credit risk characteristic portfolio					
Of which: Other receivables accruing bad debt provision in aging portfolio					
Of which: Other receivables accruing bad debt provision in other portfolio					
Total	16,048,341.40	1,182,798.20	15,884,071.98	205,016.19	1,142,051.43

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

2.3. Provision, return and recovery of bad debts in this period (Continued)

2.3.1. Significant accounts receivable effectively verified in the period

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Nanjing Panda Electronic Equipment Co., Ltd.	9,737,739.19	Specific provision	Expected to be recovered	
Nanjing Panda Machine Electricity Manufacturing Co., Ltd.	4,409,874.95	Specific provision	Expected to be recovered	
Nanjing Panda Electromechanical Instrument Technology Co., Ltd	1,163,398.01	Specific provision	Expected to be recovered	
Total	15,311,012.15			

2.4. Other receivables effectively verified in this period

Item	Verified Amount
Other receivables effectively verified	205,016.19

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

Debtor	Nature	Closing balance	Aging	Proportion (%)	Closing balance of bad debt provision
Nanjing Panda Electronic Equipment Co., Ltd.	Account	119,979,546.35	2-5 years	43.20	
Galant Limited	Account	65,200,400.00	2-5 years	23.48	
Nanjing Panda Electronic Technology Development Co., Ltd.	Account	54,729,600.00	2-4 years	19.71	
Nanjing Panda Information Industry Co., Ltd.	Account	22,093,657.83	0-6 months	7.96	
Nanjing Huage Electronics Plastic Industry Co., Ltd	Account	6,000,000.00	1-2 years	2.16	
Total		268,003,204.18		96.51	

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(II) Other receivables (Continued)

2. Other receivables (Continued)

2.6. There are no other receivables related to government grants at the current period

2.7. There is no situation of derecognition of other receivables due to the transferring of financial assets.

(III) Long-term equity investment

Items	Closing Balance		
	Book balance	Impairment Provision	Book Value
Investment in subsidiaries	1,441,785,546.36		1,441,785,546.36
Investment in associates and joint ventures	292,088,623.99		292,088,623.99
Total	1,733,874,170.35		1,733,874,170.35

(Cont'd)

Items	Opening Balance		
	Book balance	Impairment Provision	Book balance
Investment in subsidiaries	1,460,098,659.27		1,460,098,659.27
Investment in associates and joint ventures	322,407,324.16		322,407,324.16
Total	1,782,505,983.43		1,782,505,983.43

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(III) Long-term equity investment (Continued)

1. Investment in subsidiaries

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	losing balance of provision for impairment
Nanjing Panda Electronic Technology Development Co., Ltd.	700,000,000.00			700,000,000.00		
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00			190,000,000.00		
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98			176,736,513.98		
Shenzhen Jinghua Electronic Co., Ltd.	119,241,304.00			119,241,304.00		
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10			111,221,994.10		
Nanjing Panda Communication Technology Co., Ltd.	98,585,734.28			98,585,734.28		
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00			20,000,000.00		
Chengdu Panda Electronic Technology Co., Ltd.		20,000,000.00		20,000,000.00		
Shanghai Panda Robot Technology Co., Ltd.	6,000,000.00			6,000,000.00		
Nanjing Panda Mechanical Engineering Plant	30,042,016.46	102,228.13	30,144,244.59			
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45		8,271,096.45			
Total	1,460,098,659.27	20,102,228.13	38,415,341.04	1,441,785,546.36		

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(III) Long-term equity investment (Continued)

2. Investment in associates and joint ventures

Investee	Opening balance	Increase/Decrease							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		Dividends or profits declared	Others			
					comprehensive income	Other changes in equity					
1. Joint Ventures											
Nil											
Subtotal											
2. Associates											
Beijing SE Putian Mobile Communications Co., Ltd.	96,780,240.16			1,108,317.38			-18,859,839.55		79,028,717.99		
Nanjing Ericsson Panda Communication Co., Ltd.	225,627,084.00			44,682,030.00			-57,249,208.00		213,059,906.00		
Subtotal	322,407,324.16			45,790,347.38			-76,109,047.55		292,088,623.99		
Total	322,407,324.16			45,790,347.38			-76,109,047.55		292,088,623.99		

(IV) Operating income and operating cost

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	82,972,206.49	69,864,586.82	153,969,095.60	129,295,431.22
Other operation	31,907,185.46	8,081,905.34	23,748,746.61	54,086.70
Total	114,879,391.95	77,946,492.16	177,717,842.21	129,349,517.92

Notes to the 2018 Financial Statements (Continued)

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

XVI. Notes to items of parent company financial statement (Continued)

(V) Investment income

Items	Current period	Preceding period
Investment income from long-term equity investments under cost method	49,936,042.50	33,936,042.50
Investment income from long-term equity investments under equity method	45,790,347.38	72,918,930.00
Investment income from disposal of long-term investment	-15,230,785.73	
Gains on bank wealth investment products	14,995,224.84	13,283,637.10
Total	95,490,828.99	120,138,609.60

XVII. Supplementary information

(I) Breakdown of extraordinary profit and loss for the period

Items	Amount	Note
Gain or loss on disposal of non-current assets	-1,065,209.62	
Tax refund or exemption with unauthorised approval or no formal approval document		
Government grants included in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	3,090,100.00	
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		
Gains or losses on entrusted investment or management of assets		
Provision for impairment of assets due to force majeure such as natural disasters		
Gains or losses on debt restructuring		

Notes to the 2018 Financial Statements (Continued)

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

XVII. Supplementary information (Continued)

(I) Breakdown of extraordinary profit and loss for the period (Continued)

Items	Amount	Note
Expenses for reorganization such as expenditure for staffing and integration expenses, etc.		
Gains or losses on the excess beyond fair value in the transaction with unfair price		
Current gains or losses of subsidiaries from combination of enterprises under common control from the beginning of the period till the date of combination, net		
Gains or losses on contingencies that is in no connection with the normal operation of the Company		
Gain or loss on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company in its ordinary course of business), as well as investment gains received from disposal of trading financial asset, trading financial liabilities and financial assets available for sale	16,213,159.50	
Reversal of provisions for impairment of trade receivables individually subjected to impairment test	5,298,868.58	
Profit or losses from external entrusted loans		
Gains or losses on changes in fair value in the investment property that are subsequently measured at fair value		
Effects of one-off adjustments as required by taxation, accounting laws and regulations on the gains or losses for current period		
Trustee fee income from entrusted operations		
Other non-operating income and expenses other than the aforementioned items	28,603,080.39	
Other items of gain or loss in accordance with the definition of extraordinary profit and loss		
Impact of income tax	-3,147,481.10	
Impact of minority shareholders' interests	-613,214.04	
Total	48,379,303.71	

Notes to the 2018 Financial Statements (Continued)

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

XVII. Supplementary information (Continued)

(II) Return on net assets and earnings per share:

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	4.73	0.1772	0.1772
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	3.32	0.1243	0.1243

Nanjing Panda Electronics Company Limited
Company Chop
28th March 2019

Documents Available for Inspection

1. Financial statements signed and sealed by the Head of the Company, the Chief Accountant and the Head of the Accounting Department (person in charge of accounting matters).
2. Original auditors' report, with the auditing firm's chop affixed, signed and sealed by certified public accountants.
3. Originals of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
4. This annual report is prepared in Chinese and English. In case of any discrepancies in interpretation, the Chinese version shall prevail.

Nanjing Panda Electronics Company Limited

Chairman: Xu Guofei

Date of approval by the Board for submission: 28 March 2019