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南京熊猫电子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

2017 PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICE

- 1 This summary of annual report was extracted from the Annual Report of Nanjing Panda Electronics Company Limited (the “**Company**”) and its subsidiaries (collectively as the “**Group**”). To have comprehensive knowledge of the operating results, financial position and future development plan of the Company, investors are advised to carefully read the full text of the annual report on the website of the Shanghai Stock Exchange and other media designated by China Securities Regulatory Commission.
- 2 The board of directors, the supervisory committee and the directors, supervisors and senior management members of the Company confirm that the information contained in this summary of annual report is true, accurate, and complete without any misrepresentation, misleading statements, or material omissions, and severally and jointly accept legal responsibility for the above.
- 3 All the directors of the Company attended the Board meeting.
- 4 BDO China Shu Lun Pan Certified Public Accountants LLP issued an unqualified auditors’ report for the Company.
- 5 Proposal of profit distribution or capitalization of capital reserves of the Company for the reporting period considered by the Board.

To distribute a cash dividend of RMB0.70 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2017, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the balance to be carried forward to next year. The Company would not make any capitalization of capital reserve.

II. INFORMATION ABOUT THE COMPANY

1 Basic Information of the Company

Stock Profile				Stock name before change
Stock type	Listing stock exchange	Abbreviated name	Stock Code	
A share	Shanghai Stock Exchange	Nanjing Panda	600775	N/A
H share	The Stock Exchange of Hong Kong Limited	Nanjing Panda	00553	N/A
Contact person and information		Secretary to the Board	Securities Affairs Representative	
Name		Shen Jianlong	Wang Dongdong	
Office Address		7 Jingtian Road, Nanjing, the People's Republic of China	7 Jingtian Road, Nanjing, the People's Republic of China	
Telephone		(8625) 84801144	(8625) 84801144	
E-mail address		dms@panda.cn	dms@panda.cn	

2 Information on principal activities during the reporting period

2.1 Principal activities

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

2.2 *Operating model*

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

2.3 *Industry overview*

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

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

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

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

3 Major Accounting Data and Financial Indicators of the Company

3.1 Major accounting data and financial indicators (prepared in accordance with the Accounting Standards for Business Enterprises of China)

Unit: Yuan Currency: RMB

	2017	2016	Year-on -year increase/ decrease (%)	2015	2014	2013 (Restated)
Total assets	5,665,503,486.59	5,239,976,417.98	8.12	4,891,799,403.91	4,624,124,678.17	4,481,026,625.01
Operating revenue	4,191,928,908.95	3,702,763,356.54	13.21	3,613,482,935.50	3,487,641,068.94	4,136,214,822.97
Net profit attributable to shareholders of the Company	107,382,077.64	119,240,512.92	-9.94	143,836,663.39	153,230,139.40	184,820,911.32
Net profit attributable to shareholders of the Company after extraordinary items	72,409,859.11	40,497,347.32	78.80	109,123,429.37	99,280,829.13	48,046,324.59
Net asset attributable to shareholders of the Company	3,363,593,136.77	3,320,270,553.39	1.30	3,263,279,379.67	3,178,952,959.93	3,136,035,617.70
Net cash flow from operating activities	157,549,565.01	53,146,796.65	196.44	108,995,230.11	44,034,013.77	8,714,863.42
Basic earnings per share (RMB/share)	0.1175	0.1305	-9.96	0.1574	0.1667	0.2356
Diluted earnings per share (RMB/share)	0.1175	0.1305	-9.96	0.1574	0.1667	0.2356
Weighted average return on net assets (%)	3.20	3.67	-0.47	4.46	4.82	7.66

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

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

3.2 Major Accounting Indicators by Quarters in the Reporting Period

Unit: Yuan Currency: RMB

	First quarter (Jan.-Mar.)	Second Quarter (Apr.-Jun.)	Third quarter (Jul.- Sep.)	Fourth Quarter (Oct.- Dec.)
Operating revenue	857,996,924.18	893,579,003.85	1,111,548,491.10	1,328,804,489.82
Net profit attributable to shareholders of the Company	10,733,614.87	34,151,935.22	6,305,125.25	56,191,402.30
Net profit attributable to shareholders of the Company after extraordinary items	2,770,847.78	28,497,963.43	-915,796.88	42,056,844.78
Net cash flow from operating activities	167,124,080.65	-30,258,680.71	31,505,965.45	-10,821,800.38

4 Particulars of Share Capital and Shareholders

4.1 Number of holders of ordinary shares and shareholding of top 10 shareholders

Unit: share

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

Name of Shareholder	Shareholdings of top 10 shareholders						
	Increase/ decrease	Number of shares held	Percentage of shareholding (%)	Number of shares held subject to trading moratorium	Unknown or frozen Shares		
	during the reporting period	at the end of the reporting period		Stats of shares	Number of shares	Type of shareholders	
Hong Kong Securities Clearing Company Nominees Limited	1,589,146	242,976,716	26.59	0	Unknown		Overseas legal person
Panda Electronics Group Limited (“PEGL”)	0	210,661,444	23.05	0	Unknown		State-owned legal person
China Huarong Assets Management Co., Ltd.	-453,800	82,357,867	9.01	0	Unknown		State-owned legal person
Nanjing Electronics Information Industrial Corporation (“NEIIC”)	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
Xi Caixia	-439,522	3,980,000	0.44	0	Unknown		Domestic natural person
Yuan Yonglin	3,148,600	3,148,600	0.34	0	Unknown		Domestic natural person
Hua Wei	2,530,821	2,530,821	0.28	0	Unknown		Domestic natural person
Wu Liping	56,384	2,353,900	0.26	0	Unknown		Domestic natural person

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

Name of Shareholder	Number of shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
HKSCC (Nominees) Limited	242,976,716	Overseas listed foreign shares	241,435,570
		RMB ordinary shares	1,541,146
Panda Electronics Group Limited (“PEGL”)	210,661,444	RMB ordinary shares	210,661,444
China Huarong Asset Management Co., Ltd.	82,357,867	RMB ordinary shares	82,357,867
Nanjing Electronics Information Industrial Corporation (“NEIIC”)	63,302,611	RMB ordinary shares	49,534,611
		Overseas listed foreign shares	13,768,000
China Great Wall Asset Management Corporation	14,172,397	RMB ordinary shares	14,172,397
Huang Liangfu	4,148,825	RMB ordinary shares	4,148,825
Xi Caixia	3,980,000	RMB ordinary shares	3,980,000
Yuan Yonglin	3,148,600	RMB ordinary shares	3,148,600
Hua Wei	2,530,821	RMB ordinary shares	2,530,821
Wu Liping	2,353,900	RMB ordinary shares	2,353,900

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

NEIIC holds 100% equity interests of PEGL, the controlling shareholder of the Company. NEIIC holds, directly and through asset management plans, 49,534,611 A shares and 13,768,000 H shares of the Company, representing 6.93% of the total number of shares. NEIIC indirectly holds 210,661,444 A shares of the Company through PEGL, representing 23.05% of the total number of shares. In total, NEIIC holds 29.98% equity interests of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among the aforesaid shareholders.

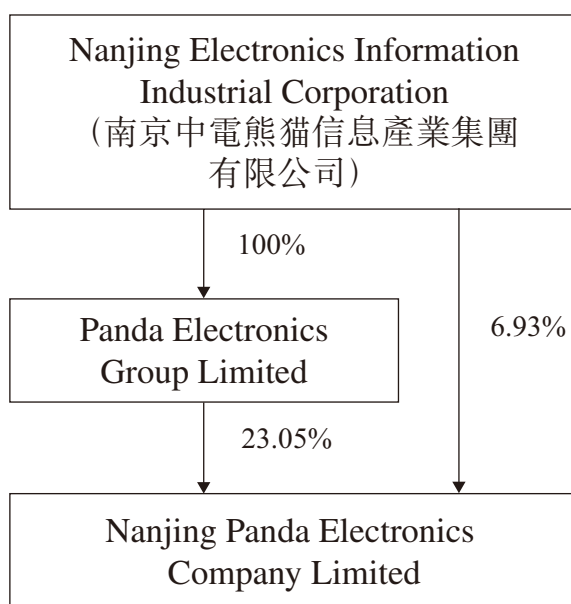
Note:

1. PEGL completed the registration procedures of the share pledge with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 24 March 2016 and 93,880,000 shares out of the 210,661,444 shares held by PEGL were pledged, representing 10.27% of the total share capital of the Company. On 17 April 2017, PEGL went through the release procedures of the share pledge registration with China Securities Depository and Clearing Corporation Limited to release the 93,880,000 shares pledged, representing 10.27% of the total share capital of the Company.

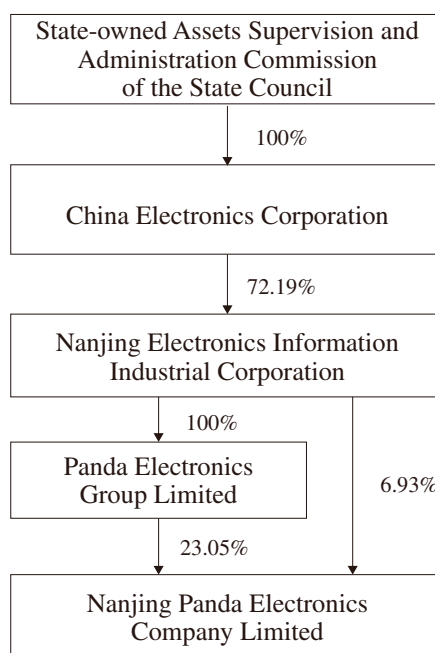
For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 26 March 2016 and 19 April 2017 respectively.

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

4.2 Diagram of the shareholding and controlling relationship between the Company and the controlling shareholder



4.3 Diagram of shareholding and controlling relationship between the Company and its ultimate controllers



III. DISCUSSION AND ANALYSIS OF THE OPERATION

1 Principal operations during the reporting period

In 2017, the Company's principal operations maintained rapid development momentums with its profitability remaining stable and core business being more prominent by continuously paying close attention to the development and variation trends of the market sectors in which the Company's principal operations are located, optimizing the industrial layout, further integrating existing business, and optimizing resource allocation. The asset size of the Company had been increased, and the gearing ratio had remained at a relatively low level, while the related risks had been effectively controlled by implementing of special governance on account receivable and inventory as well as a program on cost expense. The Company cautiously promoted each investment in accordance with the capital expenditure budget and actual operating conditions. By promoting the implementation of industrial planning, strengthening the standardized management and assessment on its subsidiaries, all major subsidiaries of the Company recorded good results. Although the Company strived to mobilize resources, strengthen management and coordination, and support the development of its joint ventures, the performance of its joint ventures still have being declined year by year due to various factors, which has a certain impact on the Company's investment income.

1.1 Analysis of principal operations

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

Unit: Yuan Currency: RMB

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

Note:

The increase in loss in assets impairment was mainly due to the provision for falling prices during the period;

The increase in gains from asset disposal was mainly due to the higher losses from non-current assets disposal in the previous period;

The decrease in non-operating income was mainly due to the decrease in government grants recognized under the standard during the period;

The decrease in non-operating expenses was mainly due to the higher taxes on assets disposal in the previous period.

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

Unit: 0'000 Yuan Currency: RMB

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

By product	Principal operations 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 robot	4,350.96	3,974.59	8.65	-10.58	-13.89	Increased by 3.52 percentage points
Smart factories and system engineering	64,046.36	54,539.95	14.84	53.66	37.64	Increased by 9.91 percentage points
Core components of smart manufacturing	12,448.25	11,531.82	7.36	-12.43	-10.67	Decreased by 1.82 percentage points
Smart traffic	39,433.15	30,910.23	21.61	15.09	13.14	Increased by 1.35 percentage points
Smart buildings	56,945.66	53,116.02	6.73	30.13	34.90	Decreased by 3.30 percentage points
Safe city and communication equipment	8,212.99	3,676.11	55.24	6.34	27.34	Decreased by 7.38 percentage points
Information network equipment and consumer electronic products	82,628.59	72,310.94	12.49	-10.14	-11.82	Increased by 1.66 percentage points
Electronic manufacturing services	125,172.69	111,803.27	10.68	17.31	19.09	Decreased by 1.34 percentage points

Principal operations by product						
By product	Operating income	Operating cost	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating cost from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Modern service industry	17,565.06	9,749.75	44.49	4.80	12.98	Decreased by 4.02 percentage points
Others	2,037.36	2,063.74	-1.29	5.14	17.18	Decreased by 10.41 percentage points

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

Principal operations by business sector, product and geographical regions

The Company's principal subsidiaries are all in smart manufacturing, smart traffic, smart buildings, electronic manufacturing services and related industries. The operating income from smart manufacturing increased by 33.06% over the same period of last year as a result of the commencement

of the construction of new projects. The operating income from electronic manufacturing services increased by 15.61% over the same period of the previous year due to the increase in business volume of major customers and the introduction of new customers.

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

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

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

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

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

(3) Expenses

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

(4) *R&D Investment*

Unit: Yuan Currency: RMB

R&D expenses for current period	205,100,860.95
R&D Investment capitalized for current period	0.00
Total R&D Investment	205,100,860.95
Total R&D Investment as a percentage of revenue (%)	4.89
Number of R&D personnel	669
Number of R&D personnel as a percentage of the Company's total staff (%)	17.46
Percentage of capitalized R&D Investment	0.00

Description:

The Company adheres to the combination of scientific and technological innovation and innovation of institutional mechanisms, reforms the management method of scientific and technological innovation projects, as well as emphasizes scientificity of project approval, rationality of the budget, seriousness of the implementation plan so as to maintain the effective investment in scientific research projects, and ensure that research projects are more forward-looking, closer to the market and more operational.

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

(5) *Cash flow*

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

1.2 Analysis of assets and liabilities

Unit: 0'000 Yuan Currency: RMB

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total Assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Notes
Advance payment	24,848.86	4.39	14,314.07	2.73	73.60	Mainly due to the advance payment for project not been carried forward as the project is not yet completed
Inventories	59,101.86	10.43	43,804.24	8.36	34.92	Mainly due to the increase in inventories of raw materials and work in progress for the period
Assets held for sale	7,838.78	1.38				Due to No.54 building classified as assets held for sale in accordance with the accounting standards

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total Assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Notes
Other current assets	46,541.05	8.21	25,901.89	4.94	79.68	Mainly due to the increase in bank wealth management products not yet due at the end of the period
Construction in progress	5,065.99	0.89	150.22	0.03	3,272.33	Mainly due to industrial robots digital manufacturing factory project under construction
Long-term prepaid expenses	360.28	0.06	699.53	0.13	-48.50	Mainly due to amortization of the long-term prepaid items on a monthly basis
Interests payable			2.38	0.00	-100.00	The amount of the last period was mainly interests payable on short-term bank loans
Advances received	24,276.77	4.29	13,269.46	2.53	82.95	Mainly due to the increase in advances received for project for the period

Item	Amount at the end of the period	Amount at the end of the period as a percentage of the total Assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of the total assets (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Notes
Tax payable	2,945.08	0.52	4,659.40	0.89	-36.79	Mainly due to decrease of payable value-added tax at the end of the period
Other current liabilities	2,710.00	0.48	970.00	0.19	179.38	Mainly due to the increase in government subsidies not been inspected during the R & D period at the end of the period
Deferred income tax liabilities	7.98	0.00	13.36	0.00	-40.27	Mainly due to decrease of taxable temporary differences recognized in the period

1.3 Analysis of major invested companies

1.3.1 Analysis of major subsidiaries

In 2017, for the purpose of further optimization of corporate structure, on the premises that relevant operation and business are unaffected, the Company disposed ineffective and low-efficiency assets. Nanjing Panda International Communication System Co., Ltd. (南京熊貓國際通信系統有限公司)(the holding subsidiary of the Company) and Shenzhen Jinghua Audiovisual Marketing Co., Ltd. (深圳市京華視聽營銷有限公司) (a

third-tier subsidiary of the Company) have completed procedure of business deregistration. The Company established a wholly-owned subsidiary Chengdu Panda Electronic Technology Co., Ltd. (成都熊猫电子科技有限公司) according to the need of business development. The deregistered companies have ceased operations and the newly established company is in the phase of preparation for land acquisition, which have not affected the Company's overall production, operation and performance. Changes in net profit of major subsidiaries are as follows:

Unit: 0'000 Yuan Currency: RMB

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

Description of changes:

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

1.3.2 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 2017 amounted to RMB7,885.127 million, representing a year-on-year decrease of 22.41%; net profit amounted to RMB201.768 million, representing a year-on-year decrease of 7.29%. Reason(s) for changes in the main indicators: Intensified competitions in domestic and foreign markets resulted in a year-on-year decrease in operating income and net profit.

(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.

Operating income of BMC for 2017 amounted to RMB7,130.3993 million, representing a year-on-year decrease of 49.22%; net profit amounted to RMB92.2068 million, representing a year-on-year decrease of 48.80%. Reason(s) for changes in the main indicators: The intensified competition in the smartphone market led to a sharp drop

in export orders, resulting in a year-on-year decrease in operating income and net profit.

(3) Investment income from major invested companies

During the reporting period, the Company's investment income amounted to RMB90.4427 million. The investment income of major invested companies is as follows:

Unit: 0'000 Yuan Currency: RMB

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

1.4 2018 operating plan

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

1.5 Profit distribution proposal for 2017

The Company achieved a net profit of RMB316,994,000 (as parent company) and appropriated surplus reserves of RMB31,699,000 in 2017. Given the cash dividend of RMB639,687,000 distributed to shareholders in 2016, and the undistributed profit at the beginning of the period of RMB2,659,728,000, the actual distributable profit to shareholders this year amounted to RMB2,305,336,000. In accordance with the Articles of Association of the Company and the relevant requirements of Shanghai Stock Exchange, it was proposed to distribute a cash dividend of RMB0.70 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 913,838,529 shares as at 31 December 2017, with the total cash dividend to be distributed amounting to RMB63,968,697.03, and the remaining part

to be carried forward to next year. The Company will not transfer capital reserve into share capital. This proposal was considered and approved at the 15th meeting of the eighth session of the Board of the Company, and was agreed to submit to the annual general meeting for consideration.

The distribution of the proposed final dividend is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company (“AGM”) to be held on or before 30 June 2018 and is expected to be paid to the holders of H shares of the Company on or before 10 August 2018. The notice of the AGM will be dispatched to the shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company, respectively in due course.

1.6 Appointment and dismissal of accounting firms

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

As BDO China Shu Lun Pan Certified Public Accountants LLP received two administrative penalty decisions (Administrative Punishment Decision[2016] No. 89, Administrative Punishment Decision [2017] No. 55) issued by the China Securities Regulatory Commission on 20 July 2016 and 23 May 2017 respectively, according to the relevant provisions set out in the Notice of the Adjustment to the Conditions for Applying for Securities Qualifications by Accounting Firms (《關於調整證券資格會計師事務所申請條件的通知》) (Cai Kuai [2012] No. 2) issued by the Ministry of Finance of the People’s Republic of China (the Ministry of Finance) and the China Securities Regulatory Commission, BDO China Shu Lun Pan Certified Public Accountants LLP is required to carry out a comprehensive rectification starting from 23 May 2017, and cease to undertake new securities business during the rectification period, being the two months from the date of the second administrative penalty. Given that BDO China Shu Lun Pan Certified Public Accountants LLP still remained in the rectification period on the date when the 2016 annual general meeting of the Company was held and has ceased to undertake new securities business, there

is uncertainty on whether the rectification can pass the checking of the relevant authorities, thus the consideration and approval of the aforesaid resolution was cancelled at the 2016 annual general meeting of the Company.

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

1.7 Tax policies

After the high-tech enterprise certificate of the Company expired in 2016, the Company did not obtain the certificate again during the current period, and now the Company cannot enjoy the relevant tax preference which has no effect on the Company's financial statements. The tax preference for subsidiaries registered in Hong Kong is subject to local laws and regulations.

1.8 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.

1.9 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.

1.10 Other Disclosures

(1) Liquidity of Capital

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

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

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

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

(2) Connected transactions relating to creditor's rights and debts

Unit: Yuan Currency: RMB

Connected parties	Connected Relationship	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
		Opening balance	Amount of the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
China Electronics Corporation	Ultimate controller			34,143,812.21	-103,812.21		34,040,000.00
Panda Electronics Group Limited	Group company			6,175,447.72	1,922,775.47		8,098,223.19
Liyang City Panda Bamboogarden Hotel	Subsidiary of the Group				1,976,818.17		1,976,818.17

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 Thales Panda Transportation System Company Limited	An associate of a subsidiary				860,265.92		860,265.92
China National Electronics Import/Export Corporation	Ultimately controlled by the same party				195,539.62	-1,000.00	194,539.62
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group				12,300.00	75,055.14	87,355.14
Nanjing Electronics Information Industrial Corporation	Ultimately controlled by the same party				44,600.00	10,600.00	55,200.00
Shanghai Panda Huning Electronic Technology Co., Ltd.	Ultimately controlled by the same party				22,907.00		22,907.00
Nanjing Panda Science Park Development Co., Ltd.	Subsidiary of the Group				20,000.00		20,000.00
Nanjing Panda Electronic Material Utilization Co., Ltd.	Subsidiary of the Group					10,000.00	10,000.00
Nanjing China Panda Properties Co., Ltd.	Ultimately controlled by the same party					5,000.00	5,000.00
Nanjing Panda DaSheng Electronics Technology Company Limited.	Subsidiary of the Group				200.00		200.00
Nanjing CEC-China Property Management Co., Ltd.	Ultimately controlled by the same party				521,396.27	-521,396.27	
Panda (Beijing) International Information Technology Co., Ltd.	Subsidiary of the Group				45,588.91	-45,588.91	
Total					42,042,057.65	3,328,451.39	45,370,509.04
Reason of creditor's rights and debts							
Influence of creditor's rights and debts to the Company							

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

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

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

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

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

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

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

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

- (4) The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of Rules Governing the Listing of Securities on the Hong Kong Stock Code (**“the Listing Rules”**) in so far as they are applicable in respect of the aforesaid connected and continuing connected transactions.
- (5) *The Company's Code of Corporate Governance and Model Code*

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

(6) Audit Committee

The Company has set up an Audit Committee in compliance with the requirements of Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Audit Committee has reviewed the interim financial report for 2017 and the audited financial report for 2017.

(7) Purchase, sale or redemption of the Company's listed securities

During the reporting period, no purchase, sale or redemption of the Company's listed securities were made by the Company.

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

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

2 Reasons for suspension of listing

☐ Applicable ☒ Not Applicable

3 The circumstances and causes of the termination of listing

☐ Applicable ☒ Not Applicable

4 Analysis and explanation of the Company on the reasons and impact of the change in accounting policy and accounting estimation

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

(3) The resolution on the change in 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 of the PRC issued the Accounting Standards for Business Enterprises No. 42–Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets and disposal groups held for sale and termination of business operation existing on the date of the implementation shall be handled with prospective application method. The Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》) in 2017, and has revised the format of financial statements for general enterprises, which is applicable to the financial statements for the year 2017 and subsequent periods. In accordance with the requirements of the above accounting standards and the Notice, the Company changed the relevant accounting policies and implemented the above standards and the Notice according to the stipulated implementation date. The decision-making process for this change in accounting policy is in compliance with the relevant laws and regulations and the Articles of Association of the Company. For details, please refer to the Announcement of Nanjing Panda on Change in Accounting Policies (Lin 2018–013) published by the Company on the China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 30 March 2018. The change in accounting policy 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.

5 Analysis and explanation of the Company on the reasons and impact of the correction to material errors.

☐ Applicable ☒ Not Applicable

6 Compared with the financial report of last year, the Company should make specific explanations for changes in the consolidation scope of the financial statements.

The Company wrote off its subsidiaries, Nanjing Panda International Communication Systems Co., Ltd. and Shenzhen Jinghua Audiovisual Marketing Co., Ltd. in the period. Before the settlement of written-off, the companies above were properly included in the Company’s consolidated financial statements. During the reporting period, the Company established a new subsidiary Chengdu Panda Electronic Technology Co., Ltd. (成都熊貓電科技有限公司).

IV. FINANCIAL STATEMENTS PREPARED UNDER THE PRC GAAP

Consolidated Balance Sheet

31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	1,328,745,296.50	1,301,802,896.46
Settlement provisions		
Placement		
Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial assets		
Notes receivable	232,310,149.59	312,972,457.59
Accounts receivable	1,282,404,740.23	1,238,735,984.06
Advance to suppliers	248,488,640.75	143,140,748.06
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserve receivable		
Interests receivable		
Dividends receivable		
Other receivables	79,788,515.23	77,676,184.19
Financial assets purchased for resale		
Inventories	591,018,560.71	438,042,391.88
Held-for-sale assets	78,387,788.27	
Non-current assets due within one year		
Other current assets	465,410,493.64	259,018,893.89
Total current assets	4,306,554,184.92	3,771,389,556.13

Assets	Closing balance	Opening balance
Non-current assets:		
Entrusted loans and advances		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	332,625,534.79	363,076,123.14
Investment properties	8,314,534.74	8,469,941.94
Fixed assets	853,555,020.10	978,971,199.52
Construction in progress	50,659,931.64	1,502,221.31
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	97,307,446.15	97,142,326.93
Development expenses		
Goodwill		
Long-term deferred expenses	3,602,788.29	6,995,346.87
Deferred income tax assets	9,234,045.96	8,779,702.14
Other non-current assets		
Total non-current assets	<u>1,358,949,301.67</u>	<u>1,468,586,861.85</u>
Total assets	<u><u>5,665,503,486.59</u></u>	<u><u>5,239,976,417.98</u></u>

Liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short-term loans	45,000,000.00	40,000,000.00
Borrowing from PBOC		
Customer and interbank deposits		
Borrowing from interbank		
Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial liabilities		
Notes payable	183,557,608.11	143,691,812.27
Accounts payable	1,342,953,782.55	1,108,431,550.84
Advances from customers	242,767,679.91	132,694,559.25
Financial assets sold under repurchase agreements		
Bank charges and commissions due		
Salaries payable	30,808,648.21	32,087,847.95
Taxes payable	29,450,814.25	46,593,961.13
Interests payable		23,835.62
Dividend Payable	3,742,966.79	18,529,612.95
Other payables	152,376,660.44	156,096,869.24
Reinsurers due		
Insurance contract reserves		
Security trading of agency		
Securities underwriting		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	27,100,000.00	9,700,000.00
Total current liabilities	<u>2,057,758,160.26</u>	<u>1,687,850,049.25</u>

Liabilities and owners' equity	Closing balance	Opening balance
Non-current liabilities:		
Long-term loans		
Bonds payables		
Including: Preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term staff salaries payable	28,037,472.50	32,673,991.19
Specific payables		
Accrued liabilities		
Deferred income	7,984,320.10	8,918,416.06
Deferred income tax liabilities	79,780.30	133,560.55
Other non-current liabilities		
Total non-current liabilities	36,101,572.90	41,725,967.80
Total liabilities	2,093,859,733.16	1,729,576,017.05
Owners' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,464,043,022.82	1,464,133,820.05
Less: treasury share		
Other comprehensive income		
Special reserve		
Surplus reserve	254,995,636.63	251,825,696.34
General risk reserve		
Undistributed profits	730,715,948.32	690,472,508.00
Total shareholders' equity attributable to the parent company	3,363,593,136.77	3,320,270,553.39
Minority interests	208,050,616.66	190,129,847.54
Total owners' equity	3,571,643,753.43	3,510,400,400.93
Total liabilities and owners' equity	5,665,503,486.59	5,239,976,417.98

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

Legal representative:
Xia Dewei

Chief Accountant:
Shen Jianlong

*Head of the
Accounting Department:*
Liu Xianfang

Balance Sheet*31 December 2017**(All amounts in RMB Yuan unless otherwise stated)*

Assets	Closing balance	Opening balance
Current assets:		
Cash and cash equivalents	172,698,117.78	335,229,528.49
Financial assets measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial assets		
Notes receivable	10,440,000.00	500,000.00
Accounts receivable	72,990,484.10	82,209,934.77
Advance to suppliers	2,793,993.19	1,392,109.95
Interests receivable		
Dividends receivable	973,887.56	973,887.56
Other receivables	250,940,596.42	299,788,984.63
Inventories	23,223,302.05	22,671,565.47
Held-for-sale assets	78,387,788.27	
Non-current assets due within one year		
Other current assets	450,000,000.00	251,918,151.96
Total current assets	<u>1,062,448,169.37</u>	<u>994,684,162.83</u>

Assets	Closing balance	Opening balance
Non-current assets:		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,782,505,983.43	1,812,280,797.69
Investment properties		
Fixed assets	253,254,688.19	347,915,255.17
Construction in progress	1,539,752.37	90,564.10
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	11,830,656.32	13,263,376.11
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	<u>2,052,781,080.31</u>	<u>2,177,199,993.07</u>
Total assets	<u>3,115,229,249.68</u>	<u>3,171,884,155.90</u>

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

<i>Legal representative:</i>	<i>Chief Accountant:</i>	<i>Head of the</i>
Xia Dewei	Shen Jianlong	<i>Accounting Department:</i>
		Liu Xianfang

Liabilities and owners' equity	Closing balance	Opening balance
Current liabilities:		
Short-term loans		
Financial liabilities measured at fair value and the changes are recorded into the profits and losses of the current period		
Derivative financial liabilities		
Notes payable	3,261,041.54	7,625,755.82
Accounts payable	45,649,307.29	52,121,083.74
Advances from customers	563,650.00	8,000.00
Staff Salaries payable	2,075,743.65	2,369,247.78
Taxes payable	9,345,731.70	12,893,940.75
Interests payable		
Dividend Payable		
Other payables	216,846,128.21	225,378,937.26
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		900,000.00
Total current liabilities	<u>277,741,602.39</u>	<u>301,296,965.35</u>
Non-current liabilities:		
Long-term loans		
Bonds payables		
Including: Preferred shares		
Perpetual capital securities		
Long-term payables		
Long-term staff salaries payable	3,249,053.43	4,079,302.51
Specific payables		
Accrued liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Other non-current liabilities	<u>3,249,053.43</u>	<u>4,079,302.51</u>
Total liabilities	<u>280,990,655.82</u>	<u>305,376,267.86</u>

Liabilities and owners' equity	Closing balance	Opening balance
Owners' equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Including: Preferred shares		
Perpetual capital securities		
Capital reserve	1,434,870,834.28	1,434,870,834.28
Less: treasury share		
Other comprehensive income		
Special reserve		
Surplus reserve	254,995,636.63	251,825,696.34
Undistributed profits	230,533,593.95	265,972,828.42
Total owners' equity	2,834,238,593.86	2,866,507,888.04
Total liabilities and owners' equity	3,115,229,249.68	3,171,884,155.90

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

<i>Legal representative:</i>	<i>Chief Accountant:</i>	<i>Head of the</i>
Xia Dewei	Shen Jianlong	<i>Accounting Department:</i>
		Liu Xianfang

Consolidated Income Statement

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Total operating income	4,191,928,908.95	3,702,763,356.54
Include: Operating income	4,191,928,908.95	3,702,763,356.54
Interests income		
Premiums earned		
Income from bank charges and commissions		
2. Total operating cost	4,110,185,883.37	3,672,354,844.96
Include: Operating cost	3,595,891,091.43	3,167,855,950.93
Interests expenses		
Bank charges and commissions expenses		
Insurance withdrawal payment		
Net payment from indemnity		
Net provisions for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharge	24,613,608.32	25,290,542.41
Selling expenses	56,106,658.38	48,349,962.41
Administrative expenses	422,578,779.59	426,803,729.36
Financial expenses	-5,138,469.04	-5,417,075.71
Loss in assets impairment	16,134,214.69	9,471,735.56
Add: Income from change in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)	90,442,743.59	108,566,100.29
Include: Investment income of associates and joint ventures	73,489,872.02	95,058,047.55
Gains on disposal of assets (losses are represented by “-”)	-669,559.13	-1,846,134.67
Exchange gain (losses are represented by “-”)		
Other gain	4,301,606.40	
3. Operating profit (losses are represented by “-”)	175,817,816.44	137,128,477.20
Add: Non-operating income	11,159,641.38	68,378,105.04
Less: Non-operating expenses	688,183.28	3,117,949.14
4. Total Profit (losses are represented by “-”)	186,289,274.54	202,388,633.10
Less: Income tax expense	30,118,010.21	33,378,971.45

Items	Amount for the current period	Amount for the prior period
5. Net Profit (losses are represented by “-”)	156,171,264.33	169,009,661.65
(1) Classified by the business continuity		
1. Net profit for going concern (net losses are represented by “-”)	156,171,264.33	169,009,661.65
2. Net profit for discontinued operation (net losses are represented by “-”)		
(2) Classified by the attribution of the ownership		
1. Minority interests	48,789,186.69	49,769,148.73
2. Net Profit attributable to the equity shareholders of the Parent company	107,382,077.64	119,240,512.92
6. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the parent company		
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss		
1. Changes as a result of remeasurement of 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		
(2) Other comprehensive income which will be reclassified subsequently to profit and loss		
i. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		
ii. Gains or losses arising from changes in fair value of available-for-sale financial assets		
iii. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
iv. Effective hedging portion of gains and losses arising from cash flow hedging instruments		
v. Translation difference of financial statements in foreign currencies		
vi. Others		
Net other comprehensive income after tax attributable to minority interests		

Items	Amount for the current period	Amount for the prior period
7. Total comprehensive income	156,171,264.33	169,009,661.65
Net other comprehensive income after tax attributable to owners of the parent company	107,382,077.64	119,240,512.92
Total comprehensive income attributable to minority shareholders	48,789,186.69	49,769,148.73
8. Earnings per share		
(1) Basic earnings per share (<i>RMB/share</i>)	0.1175	0.1305
(2) Diluted earnings per share (<i>RMB/share</i>)	0.1175	0.1305

In the case of business combinations involving entities under common control occurred in the current period, the net profit realised by combining party prior to the business combinations was RMB0.00 yuan, and the net profit realised by combining party in the prior period was RMB0.00 yuan. The accompanying notes form an integral part of these financial statements.

Legal representative:
Xia Dewei

Chief Accountant:
Shen Jianlong

*Head of the
Accounting Department:*
Liu Xianfang

Income Statement

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Operating income	177,717,842.21	162,052,757.96
Less: Operating cost	129,349,517.92	99,010,797.01
Business taxes and surcharge	5,763,367.06	4,236,189.84
Selling expenses	4,365,245.68	4,760,895.81
Administrative expenses	132,424,181.61	151,206,664.27
Financial expenses	-695,333.35	-6,718,044.58
Loss in assets impairment	-4,342,509.66	4,583,174.65
Add: Income from change in fair value (losses are represented by “-”)		
Investment income (losses are represented by “-”)	120,138,609.60	140,216,848.83
Include: Investment income of associates and joint ventures	72,918,930.00	94,783,916.42
Gains on disposal of assets (losses are represented by “-”)		
Other		
2. Operating profit (losses are represented by “-”)	30,991,982.55	45,189,929.79
Add: Non-operating income	1,046,604.99	17,305,266.66
Less: Non-operating expenses	339,184.69	2,557,807.68
3. Total Profit (losses are represented by “-”)	31,699,402.85	59,937,388.77
Less: Income tax expense		
4. Net Profit (losses are represented by “-”)	31,699,402.85	59,937,388.77
(1) Net profit for going concern(net losses are represented by “-”)	31,699,402.85	59,937,388.77
(2) Net profit for discontinued operation(net losses are represented by “-”)		

Items	Amount for the current period	Amount for the prior period
5. Net other comprehensive income after tax		
(1) Other comprehensive income which will not be reclassified subsequently to profit and loss		
i. Changes as a result of remeasurement of net defined benefit plan liability or asset		
ii. Shares of other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(2) Other comprehensive income which will be reclassified subsequently to profit and loss		
i. Shares of other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss		
ii. Gains or losses arising from changes in fair value of available-for-sale financial assets		
iii. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
iv. Effective hedging portion of gains and losses arising from cash flow hedging instruments		
v. Translation difference of financial statements in foreign currencies		
vi. Others		
6. Total comprehensive income:	31,699,402.85	59,937,388.77

7. Earnings per share:

- (1) Basic earnings per share (*RMB/share*)
- (2) Diluted earnings per share (*RMB/share*)

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

<i>Legal representative:</i>	<i>Chief Accountant:</i>	<i>Head of the</i>
Xia Dewei	Shen Jianlong	<i>Accounting Department:</i>
		Liu Xianfang

Consolidated Cash flow statement

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Cash flows from operating activities		
Cash received from the sale of goods and rendering of services	4,921,811,943.76	3,723,723,306.31
Refunds of taxes	70,366,170.66	92,920,359.07
Cash received from relating to other operating activities	169,980,976.65	153,528,898.86
Sub-total of cash inflows from operating activities	5,162,159,091.07	3,970,172,564.24
Cash paid on purchase of goods and services received	4,124,031,405.27	3,047,270,117.99
Cash paid to and on behalf of employees	496,916,088.95	488,955,616.16
Cash paid for all types of taxes	171,680,524.43	161,842,503.27
Cash paid relating to other operating activities	211,981,507.41	218,957,530.17
Sub-total of cash outflows from operating activities	5,004,609,526.06	3,917,025,767.59
Net cash flows from operating activities	157,549,565.01	53,146,796.65
2. Cash flows from investing activities:		
Cash received from disposal and returns of investments		
Cash received from return on investments	119,920,138.73	193,201,343.95
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	1,227,610.89	1,133,687.22
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities	2,046,000,000.00	2,505,000,000.00
Sub-total of cash inflows from investing activities	2,167,147,749.62	2,699,335,031.17
Cash paid on purchase of fixed assets, intangible assets and other long term assets	92,319,522.79	103,988,134.12
Cash paid for acquisition of investments		300,000.00
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid relating to other investment activities	2,248,000,000.00	2,296,922,945.76
Sub-total of cash outflows from investing activities	2,340,319,522.79	2,401,211,079.88
Net cash flows from investing activities	-173,171,773.17	298,123,951.29

Items	Amount for the current period	Amount for the prior period
3. Cash flows from financing activities		
Cash received from investment		
Including: cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	45,000,000.00	380,000,000.00
Cash received from issuing bonds		
Cash received from other financing activities	176,288,070.47	
Sub-total of cash inflows from financing activities	221,288,070.47	380,000,000.00
Cash paid on repayment of borrowings	40,000,000.00	340,000,000.00
Cash paid on distribution of dividends or profits, or interests expenses	113,444,538.52	103,655,192.26
Including: bonus and profit paid to minority shareholders by subsidiaries	47,384,382.66	41,057,422.29
Cash paid on other financing activities	1,242,654.96	
Sub-total of cash outflows from financing activities	154,687,193.48	443,655,192.26
Net cash flows from financing activities	66,600,876.99	-63,655,192.26
4. Effect of fluctuations in exchange rates on cash	-1,065,472.37	263,100.53
5. Net increase in cash and cash equivalents	49,913,196.46	287,878,656.21
Add: balance of cash and cash equivalents at the beginning of the year	1,141,683,919.27	853,805,263.06
6. Balance of cash and cash equivalents at the end of the year	1,191,597,115.73	1,141,683,919.27

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

<i>Legal representative:</i>	<i>Chief Accountant:</i>	<i>Head of the</i>
Xia Dewei	Shen Jianlong	<i>Accounting Department:</i>
		Liu Xianfang

Cash flow statement

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period	Amount for the prior period
1. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	179,769,825.34	145,796,306.31
Refunds of taxes		
Cash received from relating to other operating activities	147,693,141.55	112,335,577.10
Sub-total of cash inflows from operating activities	327,462,966.89	258,131,883.41
Cash paid on purchase of goods and services received	141,251,250.81	94,781,560.85
Cash paid to and on behalf of employees	69,751,887.63	67,572,531.60
Cash paid for all types of taxes	10,263,219.66	10,163,446.36
Cash paid relating to other operating activities	189,948,980.06	204,846,753.50
Sub-total of cash outflows from operating activities	411,215,338.16	377,364,292.31
Net cash flows from operating activities	-83,752,371.27	-119,232,408.90
2. Cash flows from investing activities:		
Cash received from disposal and returns of investments		
Cash received from return on investments	149,913,423.86	233,431,853.90
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		8,500.00
Net cash received from the disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities	1,574,000,000.00	1,781,000,000.00
Sub-total of cash inflows from investing activities	1,723,913,423.86	2,014,440,353.90
Cash paid on purchase of fixed assets, intangible assets and other long term assets	2,038,516.83	901,870.06
Cash paid for acquisition of investments		5,000,000.00
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid relating to other investment activities	1,735,000,000.00	1,582,000,000.00
Sub-total of cash outflows from investing activities	1,737,038,516.83	1,587,901,870.06
Net cash flows from investing activities	-13,125,092.97	426,538,483.84

Items	Amount for the current period	Amount for the prior period
3. Cash flows from financing activities		
Cash received from investment		
Cash received from borrowings		340,000,000.00
Cash received from issuing bonds		
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities		340,000,000.00
Cash paid on repayment of borrowings		340,000,000.00
Cash paid on distribution of dividends, profits, or interests expenses	64,191,030.36	63,133,604.98
Cash paid relating to other financing activities		
Sub-total of cash outflows from financing activities	64,191,030.36	403,133,604.98
Net cash flows from financing activities	-64,191,030.36	-63,133,604.98
4. Effect of fluctuations in exchange rates on cash and cash equivalents	72,156.10	
5. Net increase in cash and cash equivalents	-160,996,338.50	244,172,469.96
Add: balance of cash and cash equivalents at the beginning of the year	332,032,352.83	87,859,882.87
6. Balance of cash and cash equivalents at the end of the year	171,036,014.33	332,032,352.83

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

<i>Legal representative:</i>	<i>Chief Accountant:</i>	<i>Head of the</i>
Xia Dewei	Shen Jianlong	<i>Accounting Department:</i>
		Liu Xianfang

Consolidated Statement of Changes in Owners' Equity

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	Other equity instruments				Shareholders' equity attributable to the parent company							Total Shareholders' Share capital equity	
	Share capital	Preferred shares	Perpetual capital securities	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Unappropriate profits		Minority interests
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	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 current year	913,838,529.00				1,464,133,820.05				251,825,696.34		690,472,508.00	190,129,847.54	3,510,400,400.93
3. Change of this year (a decrease is represented by "-")													
(1) Total comprehensive income					-90,797.23				3,169,940.29		40,243,440.32	17,920,769.12	61,243,352.50
(2) Contribution and reduction of capital by shareholders											107,382,077.64	48,789,186.69	156,171,264.33
i. Ordinary share contribution by shareholders													
ii. Capital contribution by other equity instruments holders					-90,797.23							1,729,318.93	1,638,521.70
iii. Amount of share-based payment recorded in the shareholders' equity													
iv. Others					-90,797.23							1,729,318.93	1,638,521.70

Items	The preceding period									
	Other equity instruments					Shareholders' equity attributable to the parent company				
	Share capital	Preferred shares	Perpetual capital securities	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve
									Unappropriate profits	Minority interests
1. Balance at the end of last year	913,838,529.00				1,464,242,139.28				245,831,957.46	196,613,853.63
Add: Change in accounting policies									639,366,753.93	3,459,893,233.30
Correction of previous errors										
Business combination involving enterprises under common control										
Others										
2. Balance at the beginning of this year	913,838,529.00				1,464,242,139.28				245,831,957.46	196,613,853.63
3. Change of this year (a decrease is represented by "-")										
(1) Total comprehensive income					-108,319.23				51,105,754.07	-6,484,006.09
(2) Contribution and reduction of capital by shareholders									119,240,512.92	49,769,148.73
i. Common stock contribution by shareholders										
ii. Capital contribution by other equity instruments holders					-108,319.23				-847,664.92	-955,984.15
iii. Amount of share-based payment recorded in the shareholders' equity										
iv. Others					-108,319.23					-847,664.92
(3) Profit distribution										
i. Transfer to surplus reserves									5,993,738.88	-55,405,489.90
ii. Transfer to general reserves									5,993,738.88	-117,546,509.87
iii. Distributions to (owners) shareholders										
iv. Others									-62,141,019.97	-55,405,489.90
										-117,546,509.87

Items	The preceding period													
	Shareholders' equity attributable to the parent company													
	Other equity instruments				Less:				Total					
	Share capital	Preferred shares	Perpetual capital securities	Others	Capital reserves	Treasury shares	comprehensive income	Other	Special reserves	Surplus reserve	General risk reserve	Unappropriate profits	Minority interests	Shareholders' Share capital equity
(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. Others														
(5) special reserve														
i. Transfer in current period														
ii. Use in current period														
(6) Others														
4. Balance at the end of the current period	913,838,529.00				1,464,133,820.05					251,825,696.34		690,472,508.00	190,129,847.54	3,510,400,400.93

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

Legal representative:
Xia Dewei

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Statement of Changes in owner's Equity

2017

(All amounts in RMB Yuan unless otherwise stated)

Items	The current period						Total Shareholders' equity
	Share capital	Preferred shares	Other equity instruments Perpetual capital securities	Less: Treasury shares	Other comprehensive income	Unappropriate profits	
				Capital reserves	Special reserve	Surplus reserve	
1. Balance at the end of last year	913,838,529.00			1,434,870,834.28		251,825,696.34	2,866,507,888.04
Add: Change in accounting policies							
Correction of previous errors							
Others							
2. Balance at the beginning of this year	913,838,529.00			1,434,870,834.28		251,825,696.34	2,866,507,888.04
3. Change of this year (a decrease is represented by "-")							
(1) Total comprehensive income							
(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							
					3,169,940.29	-35,439,234.47	-32,269,294.18
						31,699,402.85	31,699,402.85

The current period

Items	Other equity instruments				Less: Treasury shares	Other comprehensive income	Total Shareholders' Share capital equity		
	Share capital	Preferred shares	Perpetual capital securities	Others					
				Capital reserves		Special reserve	Surplus reserve	Unappropriate profits	
(3) Profit distribution									
i. Transfer to surplus reserves							3,169,940.29	-67,138,637.32	-63,968,697.03
ii. Distributions to owners (shareholders)							3,169,940.29	-3,169,940.29	
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. 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 Dewei

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

Items	The preceding period					
	Other equity instruments			Total Shareholders' equity		
	Share capital	Preferred shares	Perpetual capital securities	Less: Treasury shares	Other comprehensive income	Share capital
				Capital reserves	Special reserve	Unappropriate profits
			Others		Surplus reserve	
1. Balance at the end of last year	913,838,529.00			1,434,870,834.28	245,831,957.46	274,170,198.50
Add: Change in accounting policies						
Correction of previous errors						
Others						
2. Balance at the beginning of this year	913,838,529.00			1,434,870,834.28	245,831,957.46	274,170,198.50
3. Change of this year (a decrease is represented by "-")						
(1) Total comprehensive income					5,993,738.88	-8,197,370.08
(2) Contribution and reduction of capital by shareholders						59,937,388.77
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					5,993,738.88	-68,134,758.85
(3) Profit distribution					5,993,738.88	-5,993,738.88
i. Transfer to surplus reserves						
ii. Distributions to owners (shareholders)						
iii. Others						

Items	Other equity instruments					The preceding period			Total Shareholders' Share capital equity
	Share capital	Preferred shares	Perpetual capital securities	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Surplus reserve	
(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. Others									
(5) special reserve									
i. Transfer in current period									
ii. Use in current period									
(6) Others									
4. Balance at the end of the current period	913,838,529.00				1,434,870,834.28			251,825,696.34	2,866,507,888.04

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

Legal representative:
Xia Dewei

Chief Accountant:
Shen Jianlong

Head of the Accounting Department:
Liu Xianfang

NOTES:

(1) 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.

(2) GOING CONCERN

For the reporting period and at least 12 months since the end of the reporting period. The Company has ability to continue as a going concern and there is no significant risk affecting the Company its ability to continue as a going concern.

(3) SEGMENT REPORTS

The company established 4 parts of segment reports on the basis of the internal organisational structure, management requirement, and internal report system. They are smart city industry, electronic manufacturing service, smart 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.

Items	Smart city industry	electronic manufacturing service	smart manufacturing industry	others	Undistributed	Eliminations among segments	Total
Trade income from third party	1,872,741,344.47	1,482,562,456.97	812,518,300.30	24,106,807.21			4,191,928,908.95
Trade income between segments	121,815,228.55	70,561,576.84	32,196,949.62	34,981,086.22		259,554,841.23	-
Investment income from joint ventures and associated enterprises	-	-	-	570,942.02	72,918,930.00		73,489,872.02
Impairment loss of assets	6,138,660.58	7,072,383.41	781,443.04	1,407,373.09	-5,230,511.25	-5,964,865.82	16,134,214.69
Depreciation and amortisation expense	7,696,793.95	28,534,107.10	4,870,421.96	32,505,982.34	19,086,225.65		92,693,531.00
Total Profit	104,244,674.74	109,439,446.83	26,639,548.45	-41,016,884.36	37,722,766.23	50,740,277.35	186,289,274.54
Income tax expense	6,339,215.15	20,358,415.68	3,165,287.02	1,233,048.56		977,956.20	30,118,010.21
Net profit	97,905,459.59	89,081,031.15	23,474,261.43	-42,249,932.92	37,722,766.23	49,762,321.15	156,171,264.33
Total assets	1,678,363,516.94	1,354,317,697.09	1,124,926,474.02	858,502,538.65	3,057,576,910.81	2,408,183,650.92	5,665,503,486.59
Total liabilities	1,145,885,646.30	596,828,935.83	734,941,670.67	190,722,765.97	132,410,108.91	706,929,394.52	2,093,859,733.16
Other non-cash expense beside depreciation and amortisation expense							
Long-term investment for joint ventures and associated enterprises	-	904,716.33	9,313,494.30	322,407,324.16	-		332,625,534.79
Increase in other non-current assets besides long-term investment	-3,305,284.99	-3,690,438.19	44,133,234.76	-23,058,206.09	-94,993,028.57	1,726,751.25	-82,640,474.33

(4) ACCOUNTS RECEIVABLE

1. Accounts receivable shown by classification

The transaction terms signed between the Company and clients are mainly based on credit. The company normally requires new clients to pay in advance or cash on delivery. The credit period is usually in 3 months and the period can be extended up to 6 months for main clients.

Categorised by aging

Aging	Closing balance				
	Carrying amount		Bad debts provision		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year (including 1year)	963,777,005.59	73.28	373,982.71	0.04	963,403,022.88
1–2 years (including 2year)	198,065,358.99	15.06	3,255,903.86	1.64	194,809,455.13
2–3 years (including 3year)	129,609,977.66	9.85	20,265,749.86	15.64	109,344,227.80
Over 3 years	23,818,267.70	1.81	8,970,233.28	37.66	14,848,034.42
Total	<u>1,315,270,609.94</u>	<u>100.00</u>	<u>32,865,869.71</u>		<u>1,282,404,740.23</u>

(cont'd)

Aging	Opening balance				
	Carrying amount		Bad debts provision		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year (including 1year)	912,372,019.13	72.20	37,423.55	0.00	912,334,595.58
1–2 years (including 2year)	278,807,972.22	22.07	13,348,967.60	4.79	265,459,004.62
2–3 years (including 3year)	47,980,643.10	3.80	3,054,693.17	6.37	44,925,949.93
Over 3 years	24,395,536.58	1.93	8,379,102.65	34.35	16,016,433.93
Total	<u>1,263,556,171.03</u>	<u>100.00</u>	<u>24,820,186.97</u>		<u>1,238,735,984.06</u>

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

The company provisions and recovers for the bad debt of RMB14,279,799.22 and RMB4,401,827.14 respectively for this year.

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

Name of debtor	The amount of back or withdraw	The Basis	Reasons	Approach
Nanjing Drum Tower Hospital	1,313,521.02	Specific provision	Received	Cash and Bank

3. Accounts receivable effectively verified in the period

Item	The amount incurred in current period
Accounts receivable effectively verified	1,832,289.34

The significant situation of accounts receivable effectively verified:

Name of debtor	The nature of accounts receivable	verified amount	Reason	Approach	Whether is caused by related transaction
Ningxia Radio, Film & Television Bureau	Goods	1,749,813.00	Cannot by recovered	Approved by Board of director	No

The largest credit risk of The Company's accounts receivable is the carrying value of accounts receivable in the consolidated financial statement. Due to the top five debtors of accounts receivable occupying 37.49% and 44.94% of total accounts receivable in consolidated financial statement for the year of 31 December 2017 and 2016 respectively, The Company does not suffer from material and centralised credit risk.

(5) ACCOUNTS PAYABLE

1. List of Accounts payable

Disclosed by aging

Items	Closing balance	Opening balance
Within 1 year (including 1 year)	1,048,824,443.59	831,956,355.53
1–2 years(including 2year)	164,119,320.61	201,090,928.92
2–3 years(including 3year)	79,250,265.58	54,660,157.03
Over 3 years	50,759,752.77	20,724,109.36
Total	<u>1,342,953,782.55</u>	<u>1,108,431,550.84</u>

Disclosed by nature

Items	Closing balance	Opening balance
Payment for goods	1,027,943,892.19	858,241,052.68
Project funds	282,555,339.45	225,407,018.14
Processing and maintenance funds	17,250,252.72	10,949,949.90
Logistics warehousing funds	6,354,302.33	4,079,273.31
Others	8,849,995.86	9,754,256.81
Total	<u>1,342,953,782.55</u>	<u>1,108,431,550.84</u>

(6) OPERATING REVENUE AND OPERATING COST

Items	Current period		Preceding period	
	Revenue	Cost	Revenue	Cost
Main operation	4,128,410,742.87	3,536,764,209.61	3,638,592,773.01	3,129,990,758.74
Other operation	63,518,166.08	59,126,881.82	64,170,583.53	37,865,192.19
Total	<u>4,191,928,908.95</u>	<u>3,595,891,091.43</u>	<u>3,702,763,356.54</u>	<u>3,167,855,950.93</u>

(7) INCOME TAX EXPENSES

1. List of income tax expenses

Items	Current period	Preceding period
Current income tax	30,626,134.28	35,450,554.86
Deferred income tax	<u>-508,124.07</u>	<u>-2,071,583.41</u>
Total	<u><u>30,118,010.21</u></u>	<u><u>33,378,971.45</u></u>

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

Items	Current period
Total profit	186,289,274.54
Income tax expenses calculated at the statutory (or applicable) tax rate	46,572,318.63
Different tax rate of subsidiaries	-3,282,986.36
Adjustment on previous income tax	-1,765,312.26
Income not subject to tax	-4,466,222.14
Expenses not deductible for tax purposes	1,191,312.41
Utilisation of previously unrecognised tax losses for the current period	-5,043,287.51
Unrecognised deductible temporary difference and deductible tax loss for the current period	6,571,550.99
Effect of additional deductible cost under tax law	-9,659,363.55
Income tax expenses	30,118,010.21

According to “Enterprise Income Tax Law of the People’s Republic of China” and “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China”, domestic enterprises of The Company needs to pay the income tax in the mainland China and the tax rate is 25%.

According to Hong Kong “Tax Regulation”, Hong Kong enterprises of The Company needs to pay the income tax and the tax rate is 16.5%.

According to national tax preference of high-tech enterprise, the qualified high-tech enterprise can enjoy tax preference of income tax and the tax rate is 15%.

According to national tax preference of small low-profit enterprise, if the enterprise is recognised as small low-profit enterprise, the tax basis is as the 50% of the taxable income, the applicable rate is 20%.

The High-tech enterprise certification of the Company has been expired in the year of 2016 and the Company did not apply for the certification in this year. Therefore, no tax preference can be enjoyed and there is no influence of the tax preference on the financial statement in 2017.

Name of the enterprise	Income tax rate
Galant Limited	16.50%
Hong Kong China Electronic Trading Co., Ltd	16.50%
Nanjing Panda Electronic Manufacture Co., Ltd	15.00%
Nanjing Panda Communication Technology Co., Ltd	15.00%
Nanjing Huage Appliance and Plastic Industrial Co., Ltd	15.00%
Nanjing Panda Information Industry Co., Ltd	15.00%
Nanjing Panda Mechatronics Instrument Technology Co., Ltd	15.00%
Shenzhen Jinghua Information Technology Co., Ltd	15.00%
Nanjing Panda Electronic Equipment Co.. Ltd	15.00%
Shanghai Panda Robot Technology Co., Ltd.	20.00%
Shenzhen Jinghua Property Management Co., Ltd.	20.00%

(8) RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	3.2029	0.1175	0.1175
Net profit after deducting extraordinary profit and loss attributable to ordinary shareholders of the Company	2.1711	0.0792	0.0792

(9) PROFIT DISTRIBUTION

After the passing of the profit distribution proposal for 2017 at the 8th Board meeting of the eleventh section of Board of Directors, the company decided to distribute dividend based on the share capital of 913,838,539 shares at the end of the financial reporting period. The cash dividend per 10 share was RMB0.60(including tax) and RMB00000 in total.

(10) THE CHANGE IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. The change in significant accounting policies

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

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

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

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

The main effects of the company's implementing this treatment are as follows:

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

2. The change in significant accounting estimates

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

(11) OTHER EVENTS

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 extraordinary Board Meeting and 1st extraordinary shareholders Meeting in 2017.

By the end of 31st December 2017, the Company provided the guarantee of RMB298,218,859.04 of which RMB109,253,510.60 is guaranteed by the Company in the form of bank acceptance bill, RMB95,318,449.33 is guaranteed in the form of letter of guarantee, RMB45,000,000.00 is guaranteed in the form of credit borrowing and RMB48,646,899.11 is guaranteed in the form of letter of credit.

By order of the Board
Nanjing Panda Electronics Company Limited
Xu Guofei
Chairman

Nanjing, the People's Republic of China
29 March 2018

As at the date of this announcement, the Board comprises Executive Directors: Mr. Xu Guofei, Mr. Chen Kuanyi and Mr. Xia Dewei; Non-executive Directors: Mr. Lu Qing, Mr. Deng Weiming and Mr. Gao Gan; and Independent Non-executive Directors: Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun.