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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)

ANNOUNCEMENT IN RELATION TO CHANGES IN ACCOUNTING POLICIES

IMPORTANT NOTICE:

- Pursuant to the revised the “Accounting Standards for Business Enterprises No. 14–Revenue”, the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting” and the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” issued by the Ministry of Finance in 2017, the Company, as a company dually listed on domestic and foreign stock exchanges, is required to adopt the abovementioned accounting standards with effect from 1 January 2018. The changes in accounting policies affect the presentation of relevant items in the financial statements of the Company, but have no material impact on the financial position, operating results and cash flows of the Company for the current period.
- Pursuant to the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018] No. 15) issued by the Ministry of Finance on 15 June 2018, the format of financial statements for general enterprises has been revised. The Company has prepared its interim financial statements for 2018 according to the presentation format required under Cai Kuai [2018] No. 15 and applied the presentation format requirements retrospectively by adjusting corresponding figures in the comparative financial statements.

I. Summary

In 2017, the Ministry of Finance revised the “Accounting Standards for Business Enterprises No. 14–Revenue” (the “New Revenue Standard”), and the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting”, the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” (collectively, the “New FI Standards”), pursuant which, companies that are concurrently listed on domestic and foreign stock exchanges are required to adopt the abovementioned accounting standards with effect from 1 January 2018.

On 15 June 2018, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018] No. 15) (the “Notice”), and has revised the format of financial statements for general enterprises.

In accordance with the requirements of the above accounting standards and the Notice, Nanjing Panda Electronics Company Limited (the “Company”) has changed its relevant accounting policies and implemented the requirements under the above standards and the Notice from the prescribed dates. The Company has prepared its interim financial statements for 2018 according to the presentation format required under Cai Kuai [2018] No. 15 and applied the presentation format requirements retrospectively. The changes in accounting policies affect the presentation of relevant items in the financial statements of the Company, but have no material impact on the financial position, operating results and cash flows of the Company for the current period.

The resolution in relation to the “Changes in the Company’s Accounting Policies and Related Matters” was considered and approved at the second meeting of the ninth session of the board of directors of the Company (the “Board”) held on 30 August 2018. The changes in accounting policies are reasonable as they are made under the requirements of the Ministry of Finance, which is in line with the relevant requirements and the actual situation of the Company, and the decision-making process thereof is in compliance with the relevant laws and regulations and the Articles of Association of the Company. Therefore, the changes in the accounting policies of the Company were approved with the votes cast for, against, and abstained being 9, 0, and 0, respectively.

II. Particulars and impact of changes in accounting policies

1. Pursuant to the transition provisions for the New Revenue Standard, no adjustment will be made to the figures in comparative financial statements in the first year of applying the New Revenue Standard, i.e., the retrospective adjustment made on the initial adoption date according to the requirements of the New Revenue Standard involves direct adjustment to the opening retained earnings without affecting the figures in comparative financial statements. Upon adoption of the New Revenue Standard, the Company reclassified qualifying accounts receivable as at the end of the interim period to contract assets and recognized qualifying receipts in advance as contract liabilities in the interim financial statements, in each case without adjusting comparative opening figures. Saved as mentioned above, there is no material impact on the interim financial statements of the Company. The following table sets out the particulars of the items and amounts as affected:

Consolidated Balance Sheet

Unit: RMB

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

Balance Sheet of the Company

Unit: RMB

	Before adjustment	Adjustment	After adjustment
Receipts in advance	4,000.00	(4,000.00)	
Contract liabilities		4,000.00	4,000.00

2. Pursuant to the transition provisions for the New FI Standards, enterprises may opt not to adjust the figures in comparative financial statements in the first year of applying the New FI Standards, i.e., the retrospective adjustment made on the initial adoption date according to the requirements of the New FI Standards involves direct adjustments to the opening retained earnings or other comprehensive income without affecting the figures in comparative financial statements. Upon adoption of the New FI Standards, available-for-sale financial assets presented separately at the beginning of the period are presented under other non-current financial assets at the end of the period, without adjusting comparative opening figures, and the expected credit loss resulting from the provisions for impairment of financial instruments made under the New FI Standards is presented under credit impairment loss, without adjusting comparative figures. Saved as mentioned above, there is no material impact on the presentation of the interim financial statements of the Company. The following table sets out the particulars of the items and amounts as affected:

Consolidated Balance Sheet

Unit: RMB

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

Consolidated Income Statement

Unit: RMB

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

Balance Sheet of the Company

Unit: RMB

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

Income Statement of the Company

Unit: RMB

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

3. The Company has prepared its interim financial statements for 2018 according to the presentation format required under Cai Kuai [2018] No. 15 and applied the presentation format requirements retrospectively. As at 30 June 2018, the items affected are as follows:

Consolidated Balance Sheet

Unit: RMB

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

Consolidated Income Statement

Unit: RMB

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

Balance Sheet of the Company

Unit: RMB

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

Income Statement of the Company

Unit: RMB

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

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

Consolidated Balance Sheet

Unit: RMB

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

Consolidated Income Statement

Unit: RMB

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

Balance Sheet of the Company

Unit: RMB

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

Income Statement of the Company

Unit: RMB

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

III. OPINIONS OF THE AUDIT COMMITTEE UNDER THE BOARD, INDEPENDENT DIRECTORS AND THE SUPERVISORY COMMITTEE

(I) Opinion of the audit committee under the Board

The changes in accounting policies are made based on the “Accounting Standards for Business Enterprises No. 14–Revenue”, the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting”, the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” and the “Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018” (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018] No. 15) issued by the Ministry of Finance, which are in compliance with relevant requirements of the Ministry of Finance, China Securities Regulatory Commission and Shanghai Stock Exchange and enable an objective and fair reflection of the financial position and operating results of the Company. The changes in accounting policies affect the presentation of relevant items in the financial statements of the Company, but have no material impact on the financial position, operating results and cash flows of the Company for the current period. Therefore, the audit committee agreed to the changes in accounting policies and the submission of the same to the Board for consideration and approval.

(II) Opinion of independent directors

The changes in accounting policies are reasonable as they are made based on the “Accounting Standards for Business Enterprises No. 14–Revenue”, the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standards for Business Enterprises No. 24 – Hedge Accounting”, the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” and the “Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018” (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》) (Cai Kuai [2018] No. 15) issued by the Ministry of Finance, which is in line with the relevant requirements and the actual situation of the Company without prejudicing the interests of the Company and minority shareholders, and the decision-making process thereof is in compliance with relevant laws and regulations and the Articles of Association of the Company. The changes in accounting policies affect the presentation of relevant items in the financial statements of the Company, but have no material impact on the financial position, operating results and cash flows of the Company for the current period. Therefore, the independent directors agreed to the changes in accounting policies.

(III) Opinion of the supervisory committee

The changes in accounting policies are reasonable as they are made based on the relevant requirements of the Ministry of Finance and in line with the “Accounting Standards for Business Enterprises” and related provisions as well as the actual situation of the Company, and the decision-making process thereof is in compliance with the relevant laws and regulations and the Articles of Association of the Company. Therefore, the supervisory committee agreed to the changes in accounting policies.

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

Nanjing, the People’s Republic of China
30 August 2018

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