# 南京熊猫電子股份有限公司
# NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

# 2012 PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

## 1. IMPORTANT NOTICE

1.1 This announcement was extracted from the Annual Report of Nanjing Panda Electronics Company Limited (the "Company") and its subsidiary (collectively as the "Group"), the full text of which will be published on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Investors who are interested in obtaining further details should carefully read the full text of the Annual Report.

1.2 Basic Information of the Company

| | | | |
|---|---|---|---|
| Stock abbreviation | A Share: Nanjing Panda | Stock code | A Share: 600775 |
| | H Share: Nanjing Panda | | H Share: 00553 |
| Place of listing | A Share: Shanghai Stock Exchange | | |
| | H Share: The Stock Exchange of Hong Kong Limited | | |

| Contact person and means of contact | Secretary to the Board | Securities Affairs Representative |
|---|---|---|
| Name | Shen Jianlong | Wang Dongdong |
| Telephone | 025-84801442 | 025-84801144 |
| Facsimile | 025-84820729 | 025-84820729 |
| E-mail address | dms@panda.cn | dms@panda.cn |

## 2. MAJOR FINANCIAL INFORMATION AND CHANGE OF SHAREHOLDERS

### 2.1 Major financial data (prepared in accordance with the PRC Accounting Standards for Business Enterprises)

*Unit: RMB'000*

| | 2012 | 2011 | Increase/ decrease from last year *(%)* | 2010 After the adjustment | 2010 Before the adjustment |
|---|---|---|---|---|---|
| Total assets | 3,116,256.11 | 2,713,131.16 | 14.86 | 2,574,845.81 | 2,561,842.57 |
| Net assets attributable to shareholders of the Company | 1,684,756.01 | 1,587,039.95 | 6.16 | 1,479,742.18 | 1,476,137.18 |
| Net cash flow from operating activities | –82,211.03 | –189,911.76 | N/A | –164,739.89 | –163,351.41 |
| Operating income | 2,430,042.28 | 2,142,395.29 | 13.43 | 1,694,020.60 | 1,674,972.07 |
| Net profit attributable to shareholders of the Company | 131,554.10 | 110,070.23 | 19.52 | 9,359.54 | 9,192.40 |
| Net profit attributable to shareholders of the Company after extraordinary items | 59,446.94 | 104,142.13 | –42.92 | –11,282.47 | –11,282.47 |
| Weighted average return on net assets *(%)* | 8.06 | 7.17 | Increased by 0.89 percentage point | 0.63 | 0.62 |
| Basic earnings per share *(RMB/share)* | 0.20 | 0.17 | 19.52 | 0.01 | 0.01 |
| Diluted earnings per share *(RMB/share)* | 0.20 | 0.17 | 19.52 | 0.01 | 0.01 |

## 2.2 Accounting data and financial indicators highlights (prepared under Hong Kong Financial Reporting Standards)

***Consolidated statement of comprehensive income***
*for the year ended 31 December 2012*
*(Expressed in Renminbi)*

| | Note | **2012** **RMB'000** | 2011 RMB'000 |
|---|---|---|---|
| **Turnover** | 4 | **2,396,126** | 2,115,641 |
| Cost of sales | | **(2,174,222)** | (1,872,519) |
| **Gross profit** | | **221,904** | 243,122 |
| Other income and net (losses)/gains | 5 | **95,011** | 19,573 |
| Distribution costs | | **(35,452)** | (40,690) |
| Administrative expenses | | **(291,993)** | (255,654) |
| **Operating loss** | | **(10,530)** | (33,649) |
| Finance costs, net | 6 | **(24,956)** | (21,612) |
| Share of profits of associates | | **190,806** | 188,191 |
| **Profit before taxation** | 7 | **155,320** | 132,930 |
| Income tax expense | 8 | **(19,297)** | (16,835) |
| **Profit and total comprehensive income for the year** | | **136,023** | 116,095 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **131,554** | 110,070 |
| Non-controlling interests | | **4,469** | 6,025 |
| | | **136,023** | 116,095 |
| **Earnings per share** ***(RMB cents)*** | | | |
| – Basic and diluted | 9 | **20.08** | 16.80 |

***Consolidated balance sheet***
*at 31 December 2012*
*(Expressed in Renminbi)*

| | Note | **2012** *RMB'000* | 2011 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **83,835** | 22,696 |
| Property, plant and equipment | | **663,889** | 621,042 |
| Associates | | **588,617** | 683,793 |
| Available-for-sale equity securities | | **3,650** | 3,650 |
| Deferred tax assets | | **6,127** | 5,991 |
| | | **1,346,118** | 1,337,172 |
| **Current assets** | | | |
| Inventories | | **180,260** | 196,693 |
| Trade and bills receivables | 11 | **782,623** | 564,646 |
| Amounts due from customers for contract work | | **86,975** | 56,900 |
| Deposits, prepayments and other receivables | | **129,481** | 110,832 |
| Restricted bank deposits | 12 | **212,759** | 103,105 |
| Cash and cash equivalents | | **378,040** | 343,783 |
| | | **1,770,138** | 1,375,959 |
| **Total assets** | | **3,116,256** | 2,713,131 |

| | Note | | |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **655,015** | 655,015 |
| Share premium and reserves | | **1,029,741** | 932,025 |
| | | **1,684,756** | 1,587,040 |
| **Non-controlling interests** | | **7,536** | 8,402 |
| **Total equity** | | **1,692,292** | 1,595,442 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **312** | 390 |
| **Current liabilities** | | | |
| Bank borrowings | 13 | **648,335** | 427,368 |
| Other borrowing | | **—** | 4,000 |
| Trade payables | 14 | **473,874** | 466,874 |
| Accruals and other payables | | **293,347** | 218,590 |
| Tax payable | | **8,096** | 467 |
| | | **1,423,652** | 1,117,299 |
| **Total liabilities** | | **1,423,964** | 1,117,689 |
| **Total equity and liabilities** | | **3,116,256** | 2,713,131 |
| **Net current assets** | | **346,486** | 258,660 |
| **Total assets less current liabilities** | | **1,692,604** | 1,595,832 |

**Notes:**

## 1 General information

Nanjing Panda Electronics Company Limited (the "**Company**") was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 29 April 1992. The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") since 2 May 1996 and its A shares have been listed on the Shanghai Stock Exchange since 18 November 1996. The registered office of the Company is located at Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, Jiangsu Province, the PRC. The principal place of business of the Company is located at 301, Zhongshan Road East, Nanjing, Jiangsu Province, the PRC.

The principal activities of the Company and its subsidiaries (together the "**Group**") are the development, manufacture and sale of electronic equipment products, consumer electronic products and electronic manufacturing products.

The directors consider the immediate parent of the Company to be Panda Electronics Group Limited ("**PEGL**"). Upon completion of the corporate restructuring on 21 September 2012, PEGL has become an indirect subsidiary of China Electronic Corporation ("**CEC**") and, accordingly, CEC has become the ultimate holding company of the Company. Both PEGL and CEC are PRC state-owned enterprises.

## 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**"), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that certain items of property, plant and equipment are stated at 1995 valuation less accumulated depreciation and impairment losses.

In November 2011, the Company completed the acquisition of a total of 100% equity interest in Nanjing Panda Communications Technology Co., Ltd ("**NPCT**"), formerly named as Nanjing Longwill Communications Technology Co., Ltd, from the immediate holding company (PEGL) and five individual vendors for a total cash consideration of RMB3,018,000. This acquisition was regarded as business combination under common control as the Company and NPCT are controlled by PEGL both before and after the aforesaid transaction, and has been accounted for in accordance with the Accounting Guideline 5 "**Merger accounting for common control combinations**" issued by the HKICPA. Accordingly, the acquired assets and liabilities are stated as the predecessor's values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if NPCT had always been part of the Group.

## 3 Application of new and revised HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKFRS 7, Financial instruments: Disclosures - Transfers of financial assets

- Amendments to HKAS 12, Income taxes - Deferred tax: Recovery of underlying assets

The above amendments to HKFRSs have had no material impact on the Group's results of operations and financial position, or do not contain any additional disclosure requirements specifically applicable to the consolidated financial statements.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKAS 1, Presentation of financial statements - Presentation of items of other comprehensive income | 1 July 2012 |
| Annual Improvements to HKFRSs 2009-2011 Cycle | 1 January 2013 |
| Amendments to HKFRS 7, Financial instruments: Disclosure - Offsetting financial assets and financial liabilities | 1 January 2013 |
| HKFRS 10, Consolidated financial statements | 1 January 2013 |
| HKFRS 11, Joint arrangements | 1 January 2013 |
| HKFRS 12, Disclosure of interests in other entities | 1 January 2013 |
| HKFRS 13, Fair value measurement | 1 January 2013 |
| HKAS 27 (2011), Separate financial statements | 1 January 2013 |
| HKAS 28 (2011), Investments in associates and joint ventures | 1 January 2013 |
| Amendments to HKAS 32, Financial instruments: Presentation - Offsetting financial assets and financial liabilities | 1 January 2014 |
| HKFRS 9, Financial instruments | 1 January 2015 |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application, but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's results of operations and financial position.

## 4 Revenue and segmental information

The Group determines its operating segments based on the internal financial information reviewed by the board of directors of the Company that are used to make strategic decisions. For the year ended 31 December 2012, the Group has changed the composition of its reportable segments to the following three reportable segments:

| | |
|---|---|
| (i) Electronic manufacturing products: | Development, production and sale of electronic manufacturing products |
| (ii) Electronic equipment products: | Development, production and sale of electronic equipment products |
| (iii) Consumer electronic products: | Development, manufacture and sale of consumer electronic products |

Following the change in the composition of the reportable segments, the corresponding segmental information for the year ended 31 December 2011 has been restated to conform with the current year's presentation.

The segmental information was prepared in accordance with the method adopted by the senior executive management of the Group in evaluating segment performance and allocation of resources between segments. The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current and current assets with the exception of interests in associates, available-for-sale equity securities and other corporate assets. Segment liabilities include all non-current and current liabilities with the exception of other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The following tables provide an analysis of the Group's revenue, results and certain assets, liabilities and expenditure information by reportable segments for the years ended 31 December 2012 and 2011:

## Year ended 31 December 2012

| | **Electronic manufacturing products** | **Electronic equipment products** | **Consumer electronic products** | **Other operations** | **Elimination** | **Consolidated** |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | | | | | | |
| External sales | 665,489 | 1,206,185 | 478,541 | 45,911 | — | 2,396,126 |
| Internal sales | 13,188 | 102,669 | 277,652 | 35,321 | (428,830) | — |
| Total | 678,677 | 1,308,854 | 756,193 | 81,232 | (428,830) | 2,396,126 |
| **Results** | | | | | | |
| Segment results | 20,242 | 53,095 | (14,220) | 2,621 | — | 61,738 |
| Unallocated corporate expenses | | | | | | (72,268) |
| Interest income | | | | | | 6,060 |
| Interest expense | | | | | | (31,016) |
| Share of profits of associates | | | | | | 190,806 |
| Income tax expense | | | | | | (19,297) |
| Profit for the year | | | | | | 136,023 |

## At 31 December 2012

| | Electronic manufacturing products *RMB'000* | Electronic equipment products *RMB'000* | Consumer electronic products *RMB'000* | Other operations *RMB'000* | Elimination *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 548,963 | 1,147,570 | 752,890 | 154,569 | (641,593) | 1,962,399 |
| Associates | | | | | | 588,617 |
| Available-for-sale equity securities | | | | | | 3,650 |
| Unallocated corporate assets | | | | | | 561,590 |
| Consolidated total assets | | | | | | 3,116,256 |
| **Liabilities** | | | | | | |
| Segment liabilities | 209,209 | 591,355 | 630,358 | 106,535 | (458,826) | 1,078,631 |
| Unallocated corporate liabilities | | | | | | 345,333 |
| Consolidated total liabilities | | | | | | 1,423,964 |

| | Electronic manufacturing products *RMB'000* | Electronic equipment products *RMB'000* | Consumer electronic products *RMB'000* | Other operations *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| **Other information** | | | | | | |
| Capital expenditure | 6,334 | 125,907 | 55 | 461 | 37,282 | 170,039 |
| Depreciation and amortisation | 30,089 | 5,302 | 519 | 613 | 18,996 | 55,519 |
| Write-down of inventories | 8,372 | 1,479 | 5,889 | 159 | — | 15,899 |
| (Gain)/loss on disposal of property, plant and equipment | (447) | 10 | — | 4 | 151 | (282) |
| Impairment loss recognised/ (reversed) on trade receivables | 488 | (2,034) | 22,763 | (23) | — | 21,194 |

## Year ended 31 December 2011

| | Electronic manufacturing products *RMB'000* | Electronic equipment products *RMB'000* | Consumer electronic products *RMB'000* | Other operations *RMB'000* | Elimination *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 649,877 | 1,022,570 | 385,559 | 57,635 | — | 2,115,641 |
| Internal sales | 2,056 | 73,068 | 3,596 | 33,551 | (112,271) | — |
| Total | 651,933 | 1,095,638 | 389,155 | 91,186 | (112,271) | 2,115,641 |
| **Results** | | | | | | |
| Segment results | 57,963 | 54,569 | (12,419) | 3,954 | — | 104,067 |
| Unallocated corporate expenses | | | | | | (137,716) |
| Interest income | | | | | | 4,966 |
| Interest expense | | | | | | (26,578) |
| Share of profits of associates | | | | | | 188,191 |
| Income tax expense | | | | | | (16,835) |
| Profit for the year | | | | | | 116,095 |

## At 31 December 2011

| | Electronic manufacturing products RMB'000 | Electronic equipment products RMB'000 | Consumer electronic products RMB'000 | Other operations RMB'000 | Elimination RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 510,067 | 837,989 | 353,765 | 143,321 | (333,215) | 1,511,927 |
| Associates | | | | | | 683,793 |
| Available-for-sale equity securities | | | | | | 3,650 |
| Unallocated corporate assets | | | | | | 513,761 |
| Consolidated total assets | | | | | | 2,713,131 |
| **Liabilities** | | | | | | |
| Segment liabilities | 161,470 | 455,650 | 277,669 | 103,125 | (165,883) | 832,031 |
| Unallocated corporate liabilities | | | | | | 285,658 |
| Consolidated total liabilities | | | | | | 1,117,689 |

| | Electronic manufacturing products RMB'000 | Electronic equipment products RMB'000 | Consumer electronic products RMB'000 | Other operations RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|---|
| **Other information** | | | | | | |
| Capital expenditure | 23,718 | 5,001 | 586 | 1,408 | 32,215 | 62,928 |
| Depreciation and amortisation | 28,684 | 4,730 | 603 | 601 | 18,648 | 53,266 |
| Write-down of inventories | 11,630 | 3,934 | 3,914 | 73 | — | 19,551 |
| (Gain)/loss on disposal of property, plant and equipment | — | 13 | (34) | (1,124) | 208 | (937) |
| Impairment loss recognised/ (reversed) on trade receivables | (102) | 815 | 710 | 116 | — | 1,539 |

(a) Geographical information

As over 90% of the Group's revenue, expenses, assets and liabilities are attributable to the Group's operations in the PRC, no geographical information is presented.

(b) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the Group's total revenue, is set out as below:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A[1] | **357,778** | N/A[2] |
| Customer B[1] | **N/A[2]** | 288,807 |

1 Revenue from the consumer electronic products segment.

2 The corresponding revenue did not contribute 10% or more of the Group's total revenue.

## 5 Other income and net (losses)/gains

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income | | |
| Rental income | **13,266** | 4,494 |
| Property management fee income | **5,397** | 6,541 |
| Compensation received on relocation of factory plant# | **17,382** | — |
| Government grants## | **46,697** | 5,531 |
| Sundry income | **14,495** | 4,086 |
| | **97,237** | 20,652 |
| Other net (losses)/gains | | |
| Gain on disposal of property, plant and equipment | **282** | 937 |
| Exchange losses | **(2,508)** | (2,016) |
| | **(2,226)** | (1,079) |
| | **95,011** | 19,573 |

# Compensation received is net of the loss on disposal of property, plant and equipment of RMB8,694,000 incidental to the relocation of the factory plant recognised in the year.

## Government grants include mainly funds and subsidies from local government authorities for the development of the Group and the research and development activities undertaken by the Group.

**6 Finance costs, net**

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest expense | | |
| – Bank and other borrowings | | |
| wholly repayable within five years | **30,465** | 25,672 |
| – Finance lease interest | **—** | 35 |
| – Others | **551** | 871 |
| Finance costs | **31,016** | 26,578 |
| Finance income | | |
| – Interest income on short-term deposits | **(6,060)** | (4,966) |
| Finance costs, net | **24,956** | 21,612 |

## 7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories recognised as an expense | **1,614,866** | 1,109,407 |
| Amortisation of land use rights | **786** | 683 |
| Depreciation of property, plant and equipment | **54,733** | 52,583 |
| Impairment loss recognised/(reversed) on | | |
| – Trade receivables | **21,194** | 1,539 |
| – Other receivables | **(2,242)** | (2,662) |
| – Amounts due from fellow subsidiaries and associates | **890** | (568) |
| Write-down of inventories | **15,899** | 19,551 |
| Research and development expenses# | **101,572** | 86,066 |
| Staff costs (including directors' and supervisors' emoluments) | | |
| – Salaries and other allowances | **221,200** | 224,415 |
| – Retirement benefit scheme contributions | **43,072** | 38,352 |
| Auditor's remuneration | **1,700** | 2,020 |
| Operating lease rentals in respect of | | |
| – Land and buildings | **4,207** | 4,909 |
| – Plant and equipment | **2,404** | 1,363 |
| – Motor vehicles | **400** | 937 |

\# Research and development expenses include RMB36,854,000 (2011: RMB28,451,000) relating to staff costs which is also included in the respective amount disclosed separately above.

## 8 Income tax expense

(a) Income tax expense in the consolidated statement of comprehensive income represents:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| – PRC enterprise income tax | **14,577** | 17,749 |
| – Under/(over)-provision in prior year | **4,934** | (1,753) |
| | **19,511** | 15,996 |
| Deferred tax | | |
| – attributable to the origination and reversal of temporary differences | **(143)** | 487 |
| – resulting from a change in tax rate | **(71)** | 352 |
| | **(214)** | 839 |
| | **19,297** | 16,835 |

(b) The taxation charge for the year can be reconciled to the accounting profit as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation | **155,320** | 132,930 |
| Tax calculated at the statutory PRC tax rate of 25% (2011: 25%) | **38,830** | 33,233 |
| Exemption/reduction of income tax under preferential tax treatment | **(13,043)** | (11,671) |
| Tax effect of: | | |
| Share of results of associates | **(28,517)** | (28,227) |
| Income not subject to tax | **(25)** | (595) |
| Expenses not deductible for tax purposes | **2,527** | 2,142 |
| Effect of change in tax rate | **(71)** | 352 |
| Unrecognised tax losses and other deferred tax assets | **15,154** | 24,254 |
| Utilisation of previously unrecognised tax losses and other deferred tax assets | **(492)** | (900) |
| Under/(over)-provision in prior year | **4,934** | (1,753) |
| Tax charge for the year | **19,297** | 16,835 |

## 9 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity holders of the Company of RMB131,554,000 (2011: RMB110,070,000) and 655,015,000 shares in issue throughout the years 2012 and 2011.

The diluted earnings per share for the years ended 31 December 2012 and 2011 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

## 10 Dividends

(a) Dividends payable to equity shareholders of Company attributable to the year:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend proposed after the balance sheet date of RMB60 cents per ten shares (2011: RMB50 cents per ten shares) | **39,301** | 32,751 |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. This proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed.

(b) Dividends payable to equity shareholders of Company attributable to the previous financial year, approved and paid during the year:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend in respect of the financial year ended 31 December 2011, approved and paid during the year, of RMB50 cents per ten shares (2010: RMBnil) | **32,751** | — |

## 11 Trade and bills receivables

| | 2012 | 2011 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | **669,987** | 558,352 |
| Less: Provision for impairment | **(74,010)** | (52,816) |
| | **595,977** | 505,536 |
| Bills receivable | **37,674** | 15,720 |
| Due from immediate holding company (PEGL) | **1,439** | 950 |
| Due from fellow subsidiaries | **142,475** | 29,141 |
| Due from associates | **5,058** | 13,299 |
| Total trade and bills receivables | **782,623** | 564,646 |

(a) The Group allows a credit period ranging from 30 to 180 days to its trade customers.

(b) The following is the ageing analysis of trade and bills receivables, net of provision for impairment:

| | 2012 | 2011 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 year | **683,845** | 554,235 |
| 1 to 2 years | **98,429** | 10,238 |
| 2 to 3 years | **277** | 74 |
| Over 3 years | **72** | 99 |
| | **782,623** | 564,646 |

## 12 Restricted bank deposits

The restricted bank deposits are pledged as security for:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bills payable | **141,267** | 44,683 |
| Performance bonds given by banks to customers in respect of projects undertaken | **71,492** | 58,422 |
| | **212,759** | 103,105 |

## 13 Bank borrowings

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short term bank loans | **360,000** | 358,308 |
| Bills payables, secured | **288,335** | 69,060 |
| | **648,335** | 427,368 |

At 31 December 2012, the Company's short term bank loans amounting to RMB50,000,000 (2011: RMB70,000,000) were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB1,107,000 (2011: RMB1,150,000) and RMB108,318,000 (2011: RMB113,822,000) respectively with banks, and short term bank loans amounting to RMB205,000,000 (2011: RMB170,000,000) were secured by corporate guarantees from the immediate holding company (PEGL).

At 31 December 2012, the Group's and the Company's bills payables were secured by restricted bank deposits (see note 12). In addition, the Company's bills payables were also secured by corporate guarantees from the immediate holding company (PEGL) and an intermediate holding company to the extent of RMB60,595,000 (2011: RMBnil) and RMB34,520,000 (2011: RMBnil) respectively.

At 31 December 2012, the effective interest rate of the short term bank loans was 7% (2011: 6.43%) per annum.

## 14 Trade payables

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **447,449** | 445,447 |
| Due to immediate holding company (PEGL) | **3,997** | 4,087 |
| Due to fellow subsidiaries | **22,348** | 17,260 |
| Due to associates | **80** | 80 |
| Total trade payables | **473,874** | 466,874 |

The following is an ageing analysis of trade payables:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **369,204** | 395,206 |
| 1 to 2 years | **44,630** | 28,844 |
| 2 to 3 years | **24,039** | 18,094 |
| Over 3 years | **36,001** | 24,730 |
| | **473,874** | 466,874 |

The average credit period on purchase of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that payables are settled within the credit timeframe.

## 15 Contingent liabilities

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Performance bonds given by banks to customers in respect of projects undertaken | **71,492** | 58,422 |

## 16 Capital commitments

At 31 December 2012, outstanding capital commitments not provided for in the financial statements are as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted for | | |
| – Property, plant and equipment | **146,376** | 14,842 |

## 2.3 Details of the top ten shareholders

*Unit: Shares*

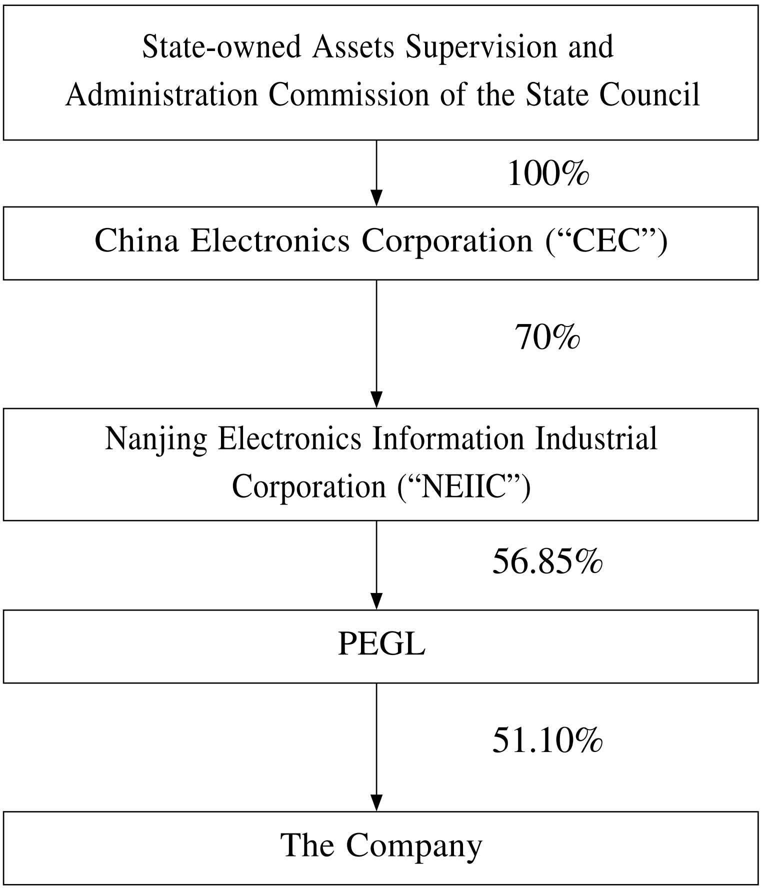
| | |
|---|---|
| Total number of shareholders as at the end of the reporting period | 18,893, including 18,841 A Share holders and 52 H Share holders |
| Total number of shareholders on the 5th trading day prior to the disclosure of this announcement | 18,257, including 18,205 A Share holders and 52 H Share holders |

## Shareholdings of the top ten shareholders

| Name of shareholders | Type of shareholders | Percentage of Shareholding (%) | Total number of shares held | Type of shares | Number of shares held subject to trading moratorium | Number of shares pledged or frozen |
|---|---|---|---|---|---|---|
| Panda Electronics Group Limited ("PEGL") | State-owned shareholder | 51.10 | 334,715,000 | RMB ordinary shares | 0 | 167,350,000 |
| HKSCC (Nominees) Limited | Foreign shareholder | 36.75 | 240,709,599 | Overseas-listed foreign shares | 0 | Unknown |
| Huang Jitang | Others | 0.331 | 2,170,081 | RMB ordinary shares | 0 | Unknown |
| Peng Hongwan | Others | 0.177 | 1,161,026 | RMB ordinary shares | 0 | Unknown |
| Zheng Xinhua | Others | 0.098 | 640,000 | RMB ordinary shares | 0 | Unknown |
| Shangdong International Trust Co., Ltd.- Dexin No.1 Collective Trust (山東省國際信託有限公司—德信1號集合信託) | State-owned legal person | 0.079 | 515,000 | RMB ordinary shares | 0 | Unknown |
| Beijing Xinheng Insurance Brokers Limited (北京鑫恒保險經紀有限公司) | Non-state-owned legal person | 0.077 | 507,326 | RMB ordinary shares | 0 | Unknown |
| Yang Chunyan | Others | 0.071 | 466,854 | RMB ordinary shares | 0 | Unknown |
| Wang Caihong | Others | 0.063 | 415,626 | RMB ordinary shares | 0 | Unknown |
| Rong Tao | Others | 0.061 | 397,600 | RMB ordinary shares | 0 | Unknown |

| | |
|---|---|
| Description of the connected relationship or party acting in concert among aforesaid shareholders: | There is no connected relationship or party acting in concert among PEGL and other shareholders. The Company is not aware of any connected relationship or party acting in concert among other shareholders. |

**2.4 Controlling relationship between the Company and the de facto controller is as follows:**




## 3. MANAGEMENT DISCUSSION AND ANALYSIS

In 2012, the Company centered on industry development, specified the tasks and objectives for electronic equipment, consumer electronics and electronic manufacturing segments, strengthened monitoring of and communication with joint ventures in a bid to make breakthroughs amid the global economic downturn and cutting-throat market competition. The Company successfully accomplished the annual operating goals by more aggressively promoting independent innovation, improving operation management, seizing market opportunities and continuously enhancing development quality and efficiency.

During the reporting period, the Company endeavored to promote technological innovation, and engaged in the establishment of technological innovation platforms involving various fields and at different levels to accelerate the application and translation of research results and effectively improve strengths in technological innovation. The Company's efforts to scale up cutting edge fundamental research through collaboration among producers, schools and institutions promoted a leap in development of technology, brought about a number of results in key technological innovation, and took the Company's technological strengths and core competitiveness to a new level.

During the reporting period, the Company stepped up efforts for technological and management innovation and further strengthened market expansion. The electronics manufacturing segment continued to maintained good growth momentum; markets for the injection molding business were further expanded by virtue of high polymer materials for communications developed by the Company; the Company had another banner year in terms of orders for railway transit equipment with the government increasing investment in rail transportation; the market prospects for the Company's industrial automation equipment appeared promising, laying a solid foundation for the further development of the Company; the "Huhutong" (giving each household free access to satellite radio and television services) project, the government's "benefiting the people" program also had good performance.

During the reporting period, the Company made active efforts to map out plans for new industries with strategic significance. In light of our professional advantages and with focus on the electronic equipment sector, the Company launched the construction of and financing for the electronic equipment industry park, actively devised the construction of industry bases and R&D centers for industrial automation equipment, electronic transport equipment, energy-efficient environmental equipment and communications equipment to further promote the adjustment and optimization of the Company's industrial structure.

During the reporting period, in order to push forward the implementation of the electronic equipment industrialization project and ensure the Company's sustainable and healthy development, the Company intended to raise up to RMB1.32 billion through a private A share placement for the construction of the industrial automation equipment industrialization, electronic transport equipment industrialization and communications equipment industrialization and R&D center projects. As at the date of this report, application materials submitted by the Company were pending approval by the China Securities Regulatory Commission ("CSRC").

During the reporting period, the Company adjusted top talents management approaches by constantly perfecting performance-based appraisal system, stepping up efforts for and improving ways of introducing high caliber talents. In 2012, the Company recruited over 70 talents with various expertise and holding a bachelor's degree or above, including more than 18 master's degree holders and recruited 2 national experts. The Company more actively recommended its employees for various selection campaigns, with one funded by the provincial "six major top talent" program (六大人才高峰), one named "Chief Technician of Jiangsu Enterprises", one named as one of the "Top 10 Leaders of the Nanjing Software Industry". In a move to scale up employee development and enhance their business capability, the Company provided 54 training programs of various types and 4 training programs for key operation, management and R&D personnel during the year, with attendance of more than 1,200 person-times and training 11 senior technicians.

During the reporting period, as a result of the efforts of the management and all employees, the Company's principal business recorded good results and joint ventures maintained stable growth momentum. According to the PRC Accounting Standards for Business Enterprises, revenue from operations of the Company for the year amounted to RMB2,430,042,300, representing an increase of 13.43% as compared with that of last year; total profit for the year amounted to RMB155,320,300, representing an increase of 16.84% as compared with that of last year; net profit amounted to RMB131,554,100, representing an increase of 19.52% as compared with that of last year. Under the HKFRSs, revenue from principal operations of the Company for the year amounted to RMB2,396,130,000, representing an increase of 13.26% as compared with that of last year; profit of principal operations amounted to RMB155,320,000, representing an increase of 16.84% as compared with that of last year; net profit attributable to shareholders amounted to RMB131,550,000, representing an increase of 19.52% as compared with that of last year.

During the reporting period, despite a growth in all operational indicators, the impact of the domestic and international economic volatility on the Company was not completely eliminated, the notable upward trend in prices of all kinds of raw materials and labor costs remained and the unfavorable situation of rising costs and declining unit prices persisted. All these variables are likely to adversely affect the sustained growth in business performance in the coming period.

## 3.1 Analysis of principal operations

### *3.1.1 Analysis of changes in related items in the income statement and cash flow statement:*

*Unit: RMB0'000*

| | Amount for the period | Amount for the same period last year | Change (%) |
|---|---|---|---|
| Operating income | 243,004.23 | 214,239.53 | 13.43 |
| Operating cost | 215,832.27 | 185,296.88 | 16.48 |
| Selling expenses | 3,545.15 | 4,068.97 | –12.87 |
| Administrative expenses | 26,940.06 | 25,555.93 | 5.42 |
| Financial expenses | 2,941.02 | 2,480.64 | 18.56 |
| Income tax | 1,929.71 | 1,683.48 | 14.63 |
| Net cash flow from operating activities | –8,221.10 | –18,991.18 | N/A |
| Net cash flows from investment activities | 15,389.64 | 29,336.64 | –47.54 |
| Net cash flows from financing activities | –3,603.98 | –15,159.09 | N/A |
| R&D expenditure | 10,157.15 | 8,606.58 | 18.02 |

### *3.1.2 Income*

*Unit: RMB0'000*

| Name of product or service | Amount for the period: Income | Amount for the period: As a percentage of the income from principal operations (%) | Amount for the previous period: Income | Amount for the previous period: As a percentage of the income from principal operations (%) | Increase from last year (%) |
|---|---|---|---|---|---|
| Electronic equipment products | 119,841.73 | 50.49 | 100,633.39 | 48.36 | 19.09 |
| Consumer electronics products | 46,926.57 | 19.77 | 38,483.63 | 18.49 | 21.94 |
| Electronic manufacturing service | 64,950.94 | 27.36 | 62,950.80 | 30.25 | 3.18 |
| Others | 5,642.29 | 2.38 | 6,025.80 | 2.90 | -6.36 |

During the reporting period, electronic equipment and consumer electronics products, as major components of the Company's principal operations, recorded aggregate sales income of RMB1,667,683,000, representing 70.26% of the income from the principal operations.

### 3.1.3 *Cost*

*Unit: RMB0'000*

| Composition of cost | Amount for the period | As a percentage of total cost for the period (%) | Amount for the same period last year | As a percentage of total cost for the same period last year (%) | Change in the amount for the period as compared with the same period last year (%) |
|---|---|---|---|---|---|
| Material cost | 166,594.02 | 79.00 | 135,391.96 | 74.67 | 23.05 |
| Labor cost | 22,069.39 | 10.47 | 27,570.55 | 15.21 | -19.95 |
| Manufacturing costs | 22,212.08 | 10.53 | 18,356.24 | 10.12 | 21.01 |

### 3.1.4 *Major suppliers and customers*

During the reporting period, the aggregate sales to the top five customers of the Company amounted to RMB928,217,700, accounting for 38.20% of the sales of the Company for the year. The sales to the largest customer made up 14.72% of the sales of the Company for the year.

During the reporting period, the aggregate amount of purchases from the top five suppliers of the Company amounted to RMB440,539,400, accounting for 22.46% of the total amount of purchases made by the Company for the year. The purchase amount from the largest supplier accounted for 9.97% of the total amount of purchases of the Company for the year.

During the year, none of the Directors, Supervisors and their associates or shareholders had interests in the share capital of the Company's suppliers or customers mentioned above.

### 3.1.5 *Expenses*

*Unit: RMB0'000*

| | Amount for the period | Amount for the same period last year | Change |
|---|---|---|---|
| | | | *(%)* |
| Selling expenses | 3,545.15 | 4,068.97 | -12.87 |
| Administrative expenses | 26,940.06 | 25,555.93 | 5.42 |
| Financial expenses | 2,941.02 | 2,480.64 | 18.56 |
| Income tax | 1,929.71 | 1,683.48 | 14.63 |

### 3.1.6 *R&D expenses*

*Unit: RMB0'000*

| | Amount for the period | Amount for the previous period | Change |
|---|---|---|---|
| | | | *(%)* |
| R&D expenses for the period | 10,157.15 | 8,606.58 | 18.02 |
| Capitalized R&D expenses for the period | | | |
| Total R&D expenses | 10,157.15 | 8,606.58 | 18.02 |
| The percentage of total R&D expenses over net assets *(%)* | 6.03 | 5.42 | Increased by 0.61 percentage point |
| The percentage of total R&D expenses over operating income *(%)* | 4.18 | 4.02 | Increased by 0.16 percentage point |

### *3.1.7 Cash flow*

*Unit: RMB0'000*

| | Amount for the period | Amount for the same period last year | Change (%) |
|---|---|---|---|
| Net cash flow from operating activities | –8,221.10 | –18,991.18 | N/A |
| Net cash flow from investment activities | 15,389.64 | 29,336.64 | –47.54 |
| Net cash flow from financing activities | –3,603.98 | –15,159.09 | N/A |

(1) The increase in net cash flow from operating activities is mainly because more customer payments were received during the period;

(2) The decrease in net cash flow from investment activities is mainly because the Company consolidated the results of Nanjing Panda Electronic Science Development Company Limited (南京熊猫電子科技發展有限公司) after its registration in the previous period;

(3) The increase in net cash flow from financing activities is mainly because there was less financing in the previous period.

During the reporting period, the net profit of the Company was generated from operating activities and investing activities. There was a difference between the net cash flow from operating activities and net profit for the year as the Company recognized more investment income.

### *3.1.8 Liquidity of capital*

In accordance with the HKFRSs, the Company's gearing ratio (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 45.69%, RMB1,423,650,000, 1.24 and 1.12 respectively as at 31 December 2012 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB590,800,000 as at 31 December 2012 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans amounted to RMB360,000,000 as at 31 December 2012 as shown in the consolidated financial statements of the Company.

During the reporting period, the benchmark interest rate on 1-year RMB loans from financial institutions was 6.56% from the beginning of the period to 7 June 2012, 6.31% from 8 June 2012 to 5 July 2012, and 6.00% from 6 July 2012 to 31 December 2012, respectively.

## 3.2 Principal operations by business or product (prepared under the PRC Accounting Standards for Business Enterprises)

*Unit: RMB0'000*

| **Business or product** | **Principal operating income** | **Principal operating costs** | **Principal operating profit margin** *(%)* | **Increase/ decrease in revenue from principal operation from the same period last year** *(%)* | **Increase/ decrease in principal operating costs from the same period last year** *(%)* | **Increase/ decrease in principal operating profit margin from the same period last year** *(%)* |
|---|---|---|---|---|---|---|
| Electronic equipment products | 119,841.73 | 104,978.81 | 12.40 | 19.09 | 16.95 | Increased by 1.60 percentage points |
| Consumer electronics products | 46,926.57 | 43,025.77 | 8.31 | 21.94 | 17.96 | Increased by 3.09 percentage points |
| Electronic manufacturing products | 64,950.94 | 58,695.51 | 9.63 | 3.18 | 17.38 | Decreased by 10.94 percentage points |
| Others | 5,642.29 | 4,175.39 | 26.00 | -6.36 | -17.74 | Increased by 10.24 percentage points |
| Subtotal | 237,361.53 | 210,875.48 | 11.16 | 14.06 | 16.30 | Decreased by 1.71 percentage points |

The Company carried out its principal operations mainly within mainland China.

## 3.3 Analysis of assets and liabilities

*Unit: RMB0'000*

| 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 (%) |
|---|---|---|---|---|---|
| Cash and bank deposits | 59,079.97 | 18.96 | 44,688.86 | 16.47 | 32.20 |
| Bills receivable | 3,767.38 | 1.21 | 1,572.04 | 0.58 | 139.65 |
| Accounts receivable | 74,494.92 | 23.91 | 54,892.54 | 20.23 | 35.71 |
| Other receivables | 4,901.40 | 1.57 | 2,326.71 | 0.86 | 110.66 |
| Construction in progress | 5,862.21 | 1.88 | 30.64 | 0.01 | 19,034.87 |
| Intangible assets | 8,630.99 | 2.77 | 2,457.80 | 0.91 | 251.17 |
| Bills payable | 28,833.55 | 9.25 | 6,906.04 | 2.55 | 317.51 |
| Advances from customers | 11,045.09 | 3.54 | 7,368.77 | 2.72 | 49.89 |
| Taxes payable | 2,892.52 | 0.93 | -1,237.10 | N/A | N/A |
| Interest payable | 52.18 | 0.02 | 96.91 | 0.04 | -46.16 |
| Dividends payable | 136.47 | 0.04 | 14.33 | 0.01 | 852.34 |
| Non-current liabilities due within one year | 0.00 | | 400.00 | 0.15 | -100.00 |

(1) The increase in cash and bank deposits is mainly due to dividend received from associates and cash balance from operations of the Company;

(2) The increase in bills receivable is mainly because more customers used bills for settlement during the period;

(3) The increase in accounts receivable is mainly due to more amounts payable (within the credit period) by the Radio, Film and Television Bureau of Gansu Province, which made purchases under the "Huhutong" government procurement project;

(4) The increase in other receivables is mainly due to a rise in relocation compensation receivable under the Relocation Agreement with the demolition of the Automobile Parts City in the Haifuxiang Plant during the period;

(5) The increase in construction in progress is mainly because the Company had two new projects under construction during the period, namely, phase 1 of the electronic equipment industrial park and Xingang Training Center;

(6) The increase in intangible assets is mainly due to the acquisition of the land use right for the electronic equipment industrial park during the period;

(7) The increase in bills payable is mainly because more purchases were paid using bills;

(8) The increase in advances from customers is mainly due to a rise in construction payments received in advance;

(9) The increase in taxes payable is mainly due to a significant increase in added-value tax and enterprise income tax;

(10) The decrease in interest payable is mainly due to repayment of borrowings extended by banks as a trade service;

(11) The increase in dividends payable is mainly because Nanjing Panda Electronic Manufacture Co., Ltd.(南京熊貓電子製造有限公司), a subsidiary of the Company has not yet paid dividends payable to minority shareholders during the period;

(12) The decrease in non-current liabilities due within one year is mainly due to repayment of borrowings during the period.

## 3.4 Analysis of subsidiaries and invested companies

### *3.4.1 Analysis of major subsidiaries*

*Unit: RMB0'000*

| Subsidiary | Net profit 2012 | 2011 | Change (%) |
|---|---|---|---|
| Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫電子裝備有限公司) | 1153.82 | 998.92 | 15.51 |
| Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司) | 489.94 | 176.52 | 177.55 |
| Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫電子製造有限公司) | 731.61 | 3131.02 | -76.63 |
| Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司) | 120.84 | — | N/A |
| Nanjing Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司) | 136.95 | 127.27 | 7.61 |
| Nanjing Huage Appliance and Plastic Industrial Co., Ltd. (南京華格電汽塑業有限公司) | 884.13 | 1631.70 | -45.82 |
| Nanjing Panda Mechanical Manufacturing Co. Ltd. (南京熊猫機電製造有限公司) | 1102.56 | 1010.89 | 9.07 |
| Nanjing Panda Electromechanical Instruments Technology Co., Ltd. (南京熊猫機電儀技術有限公司) | 538.35 | 866.39 | -37.86 |
| Nanjing Panda Electronic Technology Development Company Limited (南京熊猫電子科技發展有限公司) | 31.12 | -6.14 | N/A |
| Galant Limited (佳恒興業有限公司) | 457.86 | 526.25 | -13.00 |

### *3.4.2 Analysis of 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 Hong Kong Yung Shing Enterprise Company. ENC is mainly engaged in R&D and production of mobile telecommunication system products and network communication systems, etc. It is one of Ericsson's three major supply and manufacturing pivots in the world. Operating revenue of ENC for 2012 amounted to RMB12,591,390,000, representing a decrease of 40.29% year-on-year; net profit amounted to RMB345,260,000, representing a decrease of 46.44% year-on-year. Reasons for changes of main indicators are that ENC's orders decreased leading to less income and profit.

(2) Beijing SE Putian Mobile Communication 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 Ericsson 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 Hong Kong Yung Shing Enterprise Company. BMC is mainly engaged in mobile terminals (mobile phones) and is the principal production base and supply centre of Sony mobile phones. Operating revenue of BMC for 2012 amounted to RMB26,742,810,000, representing an increase of 32.30% year-on-year; net profit was RMB418,710,000, representing a decrease of 6.45% year-on-year. Reasons for changes of main indicators are exchange rate losses and the effect of long term contracts, leading to a decline in profits.

(3) Shenzhen Jingwah Electronics Co., Ltd. ("Shenzhen Jingwah Company")

Shenzhen Jingwah Company was set up on 8 May 1984 with a registered capital of RMB115,070,000. Shenzhen Jingwah Company is held as to 38.03% by the Company, 5.07% by PEGL, 38.03% by China Electronics Shenzhen Company, 5.07% by Shenzhen CEIEC Property Management Co., Ltd. and 13.8% by employees. Shenzhen Jingwah Company is mainly engaged in the manufacture of communications equipment and digital products. Operating revenue of Shenzhen Jingwah Company for 2012 amounted to RMB1,301,060,000, representing an increase of 54.86% year-on-year; net profit was RMB39,170,000, representing an increase of 32.51% year-on-year. Reasons for changes of main indicators are that export orders for Shenzhen Jingwah Company's digital products soared, leading to growth in revenue and profit.

## 3.5 Outlook and Future Plans of the Company

Development strategy: By fully practicing the scientific outlook on development, enhancing its capability for sustained development and fully leveraging existing resources, the Company will fulfill rapid and robust growth, properly adjust its industrial structure, commit itself to technological innovation, management innovation and service innovation, striving to build itself into a renowned domestic enterprise in the field of electronic equipment, consumer electronics and electronic manufacturing, and a global player in step with world-leading peers abroad.

In 2013, the Company will further deepen development of its internal control system and scientific research system, expand marketing channels, improve the assessment and incentive mechanism, accelerate cultivation of talents and construction of corporate culture, and proactively build a harmonious enterprise, striving to boost employees' degree of satisfaction, and promote steady and sustainable development of the enterprise. Focus will be placed on the following tasks:

3.5.1 Endeavour to achieve all operating targets: The target operating revenue and total profit of the Company in 2013 are RMB2,400,000,000 and RMB200,000,000, respectively. The attainment of the above targets in 2013 is still subject to lots of uncertain factors, however, the Company, closely centered on its operation and development targets, will make sure these targets are achieved, by way of innovation, tapping internal potential and expanding external markets.

3.5.2 Further boost independent innovation capability: The Company will further improve its research and development system, vigorously step up technological innovation, focus on making new breakthroughs in key technologies in respect of electronic equipment (industrial automation equipment, traffic electronic equipment, communication equipment) and EMS service, and strive to own more patents and intellectual property rights, so as to provide technological support to the sustained, stable and coordinated development of the Company's principal business. The Company will also well organize the preparation and implementation of the 2013 plan for scientific research projects, consolidate scientific and technological resources to build an "electronic equipment R&D center", raise the importance of patents for invention in intellectual property rights management, raise industrialized application of technological achievements, explore new ways of international cooperation, and make new breakthroughs in technology introduction and related cooperation.

3.5.3 Continue to advance the electronic equipment industrialization project: To fit into the development trend of the high-end equipment manufacturing industry, the Company will steadily push forward the non-public issue of A shares, with the total proceeds thereof not exceeding RMB1,320 million, which will be used for the industrial automation equipment industrialization project, communication equipment industrialization project, traffic electronic equipment industrialization project and R&D center project. The above investment projects, upon completion and commencement of production, will help boost the Company's comprehensive strength and economic benefits, further shorten the gap with the world's leading enterprises, and raise the Company's competitiveness in global markets. Meanwhile, through this non-public issue, the Company intended to supplement its working capital, improve its assets structure and financial position, and alleviate the pressure of working capital demands during the process of business expansion.

3.5.4 Further optimize the internal control system: The Company will organize self-check, inspection and rectification in respect of work methods, conduct all-round guidance and supervision over risk management as to the problems identified in financial and operational risks control during 2012, and strengthen horizontal exchange and cooperation with companies of the same industry. As for work contents, the Company will further improve the design of the internal control system: firstly, further improve the Company's organizational system and functional orientation, specify duties and limits of authority at all levels, and further adapt to new management patterns and requirements; secondly, strictly implement the budget and final account system, further step up construction of the Company's financial management system in terms of management of financial supervision and supervision over financial management; thirdly, further enhance the quality of introduced talents, optimize the talent mix of the Company, establish a sound internal talent flow mechanism, and rationally optimize allocation of talent resources; fourthly, accelerate the advancement of informatization construction, further establish an information resources sharing platform, utilize the Company's intranet, and set up a new operation mechanism for fundamental work by interconnecting all managerial functions, management methods and technological means; fifthly, step up basic management of quality, safety, finance, audit and contract, further intensify accountability assessment of various work targets, and fully put into practice risk management and control.

3.5.5 Further improve the construction of a harmonious enterprise: The Company will pay more attention to the demand of employees, carry out mass activities to enrich employees' cultural life, ensure increase in the income of most on-the-job employees, and, with the focus of corporate culture on promoting development, building solidarity and boosting harmony, jointly carry forward corporate reform and development, maximally enable employees to benefit from the result of enterprise development.

## 3.6 Capital Demands for Maintaining the Existing Business and Completing Construction of the Investment Projects

In 2013, the Company will continue to deepen the adjustment to the business structure, highlight and enhance its principal business of electronic equipment as a key measure to fulfill business structure adjustment and transformation and upgrade, and continue to push forward the electronic equipment industrialization project. Furthermore, the Company will further enhance its capability in electronic manufacturing services and actively expand the line of consumer electronic products. For details of the total investment amount in relevant electronic equipment industrialization projects, please refer to the related announcement and circular of the Company on non-public issue of A shares published on the website of the Hong Kong Stock Exchange on 8 November 2012 and 17 December 2012 respectively. The Company will make investments in matters relating to enhancement of electronic manufacturing capability and expansion of the product line of consumer electronics based on the actual conditions.

As for fund sources, in addition to its accumulated profit, the Company will steadily press ahead with the matter relating to non-public issue of A shares, and timely raise funds by diverse financing means including bank loans, and maintain a reasonable and healthy financial position while achieving business development at the same time.

## 3.7 Potential Risks

### *3.7.1 Market risk*

Spurred by industry policies, and with market demands rising continuously, more and more capital may enter the electronic information industry in the future, especially the niche market where the Company belongs, as a result the Company will face much fiercer market competition. Were the Company unable to maintain its edge in respect of technological R&D, product, quality control and marketing, its position in the industry would be shaken.

### *3.7.2 Risk associated with development of technology*

As the replacement speed of technologies relating to the electronic information industry is fast, together with intense market competition, were the Company unable to maintain technological innovation, constantly keep track of the newest technologies in this sector both at home and abroad, obtain updates on customers' latest demands, accelerate the R&D speed for new products, or maintain its leading position in the PRC, the Company would run the risk of seeing its market share drop and its products replaced by the new products of competitors.

## 3.8 Plan for Profit Distribution or Capitalization of Capital Reserve

The 2012 financial report of the Company has been audited by Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership). The Company realized a net profit attributable to owners of the Company of RMB131,554,100 in 2012. In accordance with the Articles of Association of the Company, surplus reserves of RMB12,521,400 shall be appropriated. Given the distributed profit to shareholders in 2012 of RMB32,750,800, and the undistributed profit for 2011 of RMB256,333,000, hence the actual distributable profit to shareholders this year amounted to RMB342,614,900.

In accordance with the Articles of Association of the Company, it was proposed to distribute a cash dividend of RMB0.60 (tax inclusive) for every ten shares to all the shareholders on the basis of a total share capital of 655,015,000 shares as at 31 December 2012, with the total cash dividend to be distributed amounting to RMB39,300,900, and the remaining part to be carried forward to next year. The proposed cash dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on a date to be fixed.

## 3.9 Fulfillment of social responsibility

Work related to social responsibility: The Company prepared and disclosed the Social Responsibility Report of Nanjing Panda Electronics Company Limited for 2012, the full text of which was published at the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 27 March 2013.

## 3.10 Non-public issue of A shares

During the reporting period, the Company intended to raise proceeds of not more than RMB1,320,000,000 through non-public issue of A Shares, which will be used in the industrial automation equipment industrialization project, communication equipment industrialization project, traffic electronic equipment industrialization project and R&D center project. At present, the CSRC has accepted the application materials regarding this issue. For details, please refer to the announcements of the Company in relation to the non-public issue of A shares published by the Company on the websites of the Shaghai Stock Exchange and the Hong Kong Stock Exchange on 26 December 2012 and 8 January 2013.

## 3.11 Significant Events

### *3.11.1 Connected transactions*

During the reporting period, the continuing connected transactions conducted between the Group and PEGL and its subsidiaries (for the purpose of this announcement excluding the Group), holding companies and their respective associates ("PEGL Group") (which were conducted in the usual course of business and on normal commercial terms) were approved by the independent shareholders at the first extraordinary general meeting of 2009 and the second extraordinary general meeting of 2011, the procedures of which were in compliance with relevant requirements.

The Company published an announcement on the change in ultimate controller of the Company and compliance with the relevant rules governing continuing connected transactions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange on 25 September 2012 on the website of the Hong Kong Stock Exchange, and therefore certain day-to-day operation-related contracts entered into between the Company and CEC and its subsidiaries prior to the date of change in ultimate controller became continuing connected transactions. The Company disclosed the details of the contracts being implemented on the date of change in ultimate controller pursuant to relevant requirements. During the reporting period, all the connected transactions conducted between the Company and its subsidiaries, and CEC and its subsidiaries, fell into the expected scope as disclosed.

The connected transaction under the Financial Services Agreement entered into between the Company and China Electronics Financial Co., Ltd. (the "Finance Company") was approved by the independent shareholders at the second extraordinary general meeting of 2012. As at 31 December 2012, the balance of loans granted by the Finance Company to the Company was nil while the balance of deposits placed with the Finance Company was RMB173,901,300, which was within the limit approved by the general meeting.

The Company has appointed its auditor to produce a report on the continuing connected transactions pursuant to Rule14A.38 of the Listing Rules of the Hong Kong Stock Exchange, and the auditor has circulated the report to the Board. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.

### 3.11.2 *Change in Ultimate Controller*

On 21 September 2012, Jiangsu Provincial Guo Xin Asset Management Group Ltd (江蘇省國信資產管理集團有限公司) ("Guo Xin Group") and Nanjing State-owned Assets Supervision and Administration Commission of the PRC (南京市人民政府國有資產監督管理委員會) ("Nanjing SASAC") transferred their respective shareholdings in PEGL (i.e. 21.59% and 26.39% respectively) to NEIIC, a subsidiary of CEC at nil consideration ("Restructuring").

Immediately before the Restructuring, China Huarong Assets Management Company (中國華融資產管理公司) ("China Huarong"), the ultimate controller of the Company, held 36.84% of the issued share capital of PEGL. Guo Xin Group held 21.59% of the issued share capital of PEGL. Nanjing SASAC indirectly held 26.39% of the issued share capital of PEGL. After the Restructuring, CEC, holding through NEIIC 56.85% of the issued share capital of PEGL which in turn held approximately 51.10% of the issued share capital of the Company, replaced China Huarong as the ultimate controller of the Company.

For details, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 25 September 2012.

## 3.11.3 *Transactions relating to creditor's rights and debts*

*Unit: RMB0'000*

| | Provision of funds to related parties | | | Provision of funds to the Company by related parties | | |
|---|---|---|---|---|---|---|
| Related parties | Opening balance | Amount of transaction | Closing balance | Opening balance | Amount of transaction | Closing balance |
| Nanjing Electronics (Kunshan) Co. Ltd. | 279.94 | 0.00 | 279.94 | | | |
| China Electronics Corporation | | | | 0.00 | 3400.00 | 3400.00 |
| Panda Electronics Group Limited | | | | 741.60 | 439.80 | 1181.40 |
| Nanjing Thales Panda Transportation System Company Limited | | | | 0.00 | 86.03 | 86.03 |
| Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊貓物業管理有限公司) | | | | 0.00 | 49.31 | 49.31 |
| Nanjing Electronics (Kunshan) Co. Ltd. | | | | 30.00 | 0.00 | 30.00 |
| Nanjing Panda Electronics Technology Development Company Limited | | | | 13.40 | -5.00 | 8.40 |
| Panda (Beijing) International Information Technology Co., Ltd. | | | | 4.56 | 0.00 | 4.56 |
| Nanjing Panda Electronics Transportation Company | | | | 1.46 | 0.77 | 2.23 |
| Nanjing Panda Piezoelectric Technology Co., Ltd. | | | | 0.02 | 0.00 | 0.02 |
| Intenna (Nanjing) Company Limited | | | | 217.51 | -217.51 | 0.00 |
| Nanjing Panda Garden Property Management Centre | | | | 5.18 | -5.18 | 0.00 |
| Total | 279.94 | 0.00 | 279.94 | 1,013.73 | 3,748.22 | 4,761.95 |

### 3.12 Auditors

At the Company's annual general meeting on 31 May 2012, the proposal for reappointment of Baker Tilly China (Special General Partnership) and Baker Tilly Hong Kong Limited as the PRC auditor as well as internal control auditor and international auditor of the Company for 2012 respectively was considered and approved; and the total remuneration for such auditors shall be determined within the limit of RMB1.7 million.

Baker Tilly China (Special General Partnership) and Baker Tilly Hong Kong Limited have provided the Company with audit services for 5 and 3 consecutive years, respectively. Remuneration paid by the Company to the abovementioned two certified public accountants for their audit services for the annual report was aggregately RMB1,700,000, of which RMB1,050,000 was paid to Baker Tilly China (Special General Partnership) while RMB650,000 was paid to Baker Tilly Hong Kong Limited.

### 3.13 Tax Policies

The Company is registered in the Nanjing High and New Technology Development Zone which is approved by the State Council as a national high and new technology industry development zone. The Company was re-recognized in September 2011 as a high technology enterprise (certificate no. GF201132000407, which is valid for 3 years). The Company is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations.

### 3.14 Code on Corporate Governance and Model Code

During the reporting period, the Company adopted and complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

During the reporting period, the Company adopted and applied 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 of the Hong Kong Stock Exchange.

Having made specific enquiry to all directors and supervisors of the Company, all directors and supervisors have expressed that they have complied with the Model Code as stipulated by the Hong Kong Stock Exchange and the relevant requirements in the Management Regulations on the Shareholding of Directors, Supervisors and Management and Relevant Shareholding Changes (《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定》) as stipulated by the Shanghai Stock Exchange.

**3.15 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 2012 and the audited financial report for 2012.

**3.16** Reference is made to the relevant announcement of the Company published on 21 September 2011 on the website of the Hong Kong Stock Exchange and on 22 September 2011 in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange, the Intermediate People's Court of Nanjing City, Jiangsu Province accepted the lawsuit brought by creditors of Hua Fei Colour Display Systems Company Limited ("Hua Fei Company") (an investee of the Company) in respect of the winding up of Hua Fei Company. As at 31 December 2011, the balance of the Company's long-term equity investment in Hua Fei Company was nil.

During the reporting period, pursuant to the Property Management and Liquidation Plan upon Winding Up of Hua Fei Color Display Systems Company Limited as ruled and accepted by the Intermediate People's Court of Nanjing, the manager appointed Jiangsu Province Auction Co., Ltd.(江蘇省拍賣總行有限公司)to publicly auction the property of Hua Fei Company according to law, with proceeds from such auction amounting to RMB712,350,000.

According to the Property Distribution Plan upon Winding Up of Hua Fei Colour Display Systems Company Limited approved by the Intermediate People's Court of Nanjing, the compensation rate for general creditor's rights is 15.838%.

According to the civil adjudication order ((2011) Ning Shang Po Zi No. 4-7) of the Nanjing Intermediate Court of Jiangsu, implementation of the above Property Distribution Plan of Hua Fei Company was completed, and the procedures of liquidation and winding up of Hua Fei Company came to an end.

**3.17** Reference is made to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 19 January 2012 and on the website of the Hong Kong Stock Exchange on 18 January 2012, the municipal government of Baixia District, Nanjing entered into a relocation agreement with the Company on the relocation of Nanjing Panda Mechanical and Electrical Equipment Factory. Pursuant to relevant valuation, the municipal government of Baixia District shall pay the Company a relocation compensation of RMB125 million by instalments based on the relocation progress. During the reporting period, the said relocation resulted in an increase of RMB17,382,400 in the non-recurring profit and loss of the Company.

**3.18** Reference is made to the relevant announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 30 March 2012 and on the website of the Hong Kong Stock Exchange on 29 March 2012, the Board considered and approved the purchase of liability insurance for the directors and senior management. The Company purchased liability insurance for its directors and senior management in compliance with the amendments to the Rules Governing the Listing of Securities on the Main Board issued by the Hong Kong Stock Exchange.

**3.19** During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## IV. MATTERS RELATING TO THE FINANCIAL REPORT

4.1 Auditor's opinion

The 2012 financial report of the Company was audited by Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) in accordance with Hong Kong Financial Reporting Standards and Accounting standard for Business Enterprises of China respectively, which issued auditor's reports with unqualified opinions.

4.2 As compared with the last financial report, there are no changes in accounting policies, accounting estimations and methods during the reporting period.

4.3 There was no material accounting deviation adjustment during the reporting period.

4.4 As compared with the last financial report, there are no changes in the scope of consolidation in the financial report for the reporting period.

**Nanjing Panda Electronics Company Limited**
27 March 2013