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# 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: 0553)

## 2011 PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

## 1 IMPORTANT NOTICE

1.1 The board of directors (the "**Board**"), supervisory committee, the directors ("**Directors**"), the supervisors ("**Supervisors**") and senior management staff of Nanjing Panda Electronics Company Limited (the "**Company**") confirm that the information in this announcement does not contain any misrepresentation, misleading statements, or material omissions, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents. This announcement is an abstract from the annual report, the full text of which will be published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Investors should read carefully the full text of the annual report for detailed information.

1.2 Directors Mr. Jason Hsuan and Mr. Lu Qing were unable to attend the Board meeting held on 29 March 2012, due to other business engagements, and had appointed Mr. Xu Guofei, the Vice Chairman, and Director Mr. Deng Weiming, to act on their behalves respectively.

1.3 Both Baker Tilly China and Baker Tilly Hong Kong Limited have issued an unqualified auditors' report for the Company respectively.

1.4 Mr. Xia Dechuan, the Head of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Wu Yuzhen, the Head of the Accounting Department, declared that they confirmed the truthfulness, accuracy and completeness of the financial statements in the annual report.

## 2 BASIC INFORMATION OF THE COMPANY

### 2.1 Basic Information

| | | |
|---|---|---|
| Stock abbreviation | A Shares: Nanjing Panda | H Shares: Nanjing Panda |
| Stock code | 600775 | 0553 |
| Place of listing | Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Registered Address | Level 1-2, Block 05, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the PRC | |
| Office Address | 301 Zhongshan Road East, Nanjing, the PRC | |
| Postal Code | 210002 | |
| International Web Site | http://www.panda.cn | |
| Email Address | dms@panda.cn | |

### 2.2 Contact person and means of contact

| | **Secretary to the Board** | **Securities Affairs Representative** |
|---|---|---|
| Name | Shen Jianlong | Wang Dongdong |
| Correspondence address | 301 Zhongshan Road East, Nanjing, the PRC | 301 Zhongshan Road East, Nanjing, the PRC |
| Telephone | 025 — 84801442 | 025 — 84801144 |
| Facsimile | 025 — 84820729 | 025 — 84820729 |
| Email Address | dms@panda.cn | dms@panda.cn |

# 3 ACCOUNTING DATA AND FINANCIAL INDICATORS HIGHLIGHTS

## 3.1 PREPARED UNDER HONG KONG FINANCIAL REPORTING STANDARDS

***Consolidated statement of comprehensive income***
***for the year ended 31 December 2011***
*(Expressed in Renminbi)*

| | *Note* | **2011** *RMB'000* | 2010 *RMB'000* (Restated) |
|---|---|---|---|
| **Turnover** | 4 | **2,115,641** | 1,664,885 |
| Cost of sales | | **(1,872,519)** | (1,448,255) |
| **Gross profit** | | **243,122** | 216,630 |
| Other income and net (losses)/gains | 5 | **19,573** | 35,554 |
| Distribution costs | | **(40,690)** | (42,110) |
| Administrative expenses | | **(255,654)** | (257,938) |
| **Operating loss** | | **(33,649)** | (47,864) |
| Finance costs, net | 6 | **(21,612)** | (18,840) |
| Share of profits of associates | | **188,191** | 91,047 |
| **Profit before taxation** | 7 | **132,930** | 24,343 |
| Income tax expense | 8 | **(16,835)** | (16,599) |
| **Profit and total comprehensive income for the year** | | **116,095** | 7,744 |

| | | | |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity holders of the Company | | **110,070** | 9,359 |
| Non-controlling interests | | **6,025** | (1,615) |
| | | **116,095** | 7,744 |
| **Earnings per share** *(RMB cents)* | | | |
| — Basic and diluted | 9 | **16.80** | 1.43 |

***Consolidated balance sheet***
***at 31 December 2011***
*(Expressed in Renminbi)*

| | *Note* | **2011** | 2010 | 2009 |
|---|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* | *RMB'000* |
| | | | (Restated) | (Restated) |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Land use rights | | **22,696** | 23,379 | 24,062 |
| Property, plant and equipment | | **621,042** | 611,177 | 553,835 |
| Associates | | **683,793** | 661,484 | 778,712 |
| Available-for-sale equity securities | | **3,650** | — | — |
| Deferred tax assets | | **5,991** | 6,509 | 2,782 |
| | | **1,337,172** | 1,302,549 | 1,359,391 |

| | | | | |
|---|---|---|---|---|
| **Current assets** | | | | |
| Inventories | | **196,693** | 187,726 | 142,866 |
| Trade and bills receivables | 11 | **564,646** | 318,202 | 235,601 |
| Amounts due from customers for contract work | | **56,900** | 31,730 | 18,399 |
| Deposits, prepayments and other receivables | | **110,832** | 112,337 | 85,917 |
| Restricted bank deposits | 12 | **103,105** | 229,933 | 61,579 |
| Cash and cash equivalents | | **343,783** | 392,370 | 563,819 |
| | | **1,375,959** | 1,272,298 | 1,108,181 |
| **Total assets** | | **2,713,131** | 2,574,847 | 2,467,572 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | |
| Share capital | | **655,015** | 655,015 | 655,015 |
| Share premium and reserves | | **932,025** | 824,728 | 814,677 |
| | | **1,587,040** | 1,479,743 | 1,469,692 |
| **Non-controlling interests** | | **8,402** | 7,315 | 12,789 |
| **Total equity** | | **1,595,442** | 1,487,058 | 1,482,481 |

## LIABILITIES

| | | | | |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Other borrowing | | **—** | 4,000 | 4,000 |
| Obligations under finance leases - non-current portion | | **—** | — | 1,279 |
| Deferred tax liabilities | | **390** | 69 | — |
| | | **390** | 4,069 | 5,279 |
| **Current liabilities** | | | | |
| Bank borrowings | 13 | **427,368** | 520,574 | 399,454 |
| Other borrowing | | **4,000** | — | — |
| Trade payables | 14 | **466,874** | 330,431 | 275,993 |
| Accruals and other payables | | **218,590** | 221,871 | 299,400 |
| Obligations under finance leases - current portion | | **—** | 1,279 | 2,215 |
| Tax payable | | **467** | 9,565 | 2,750 |
| | | **1,117,299** | 1,083,720 | 979,812 |
| **Total liabilities** | | **1,117,689** | 1,087,789 | 985,091 |
| **Total equity and liabilities** | | **2,713,131** | 2,574,847 | 2,467,572 |
| **Net current assets** | | **258,660** | 188,578 | 128,369 |
| **Total assets less current liabilities** | | **1,595,832** | 1,491,127 | 1,487,760 |

**Notes:**

## 1 General information

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, the PRC. The principal place of business of the Company is located at 301, Zhongshan Road East, Nanjing, the PRC.

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

The directors consider the parent and ultimate holding company of the Company to be Panda Electronics Group Company Limited ("**PEGL**"), a PRC state-owned enterprise.

## 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 Longwill Communications Technology Co., Ltd ("**Longwill**") from the ultimate holding company 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 Longwill 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. As a result, the comparative figures in these consolidated financial statements have been restated in order to include the results of Longwill since the date of which first came under common control.

The acquisition of Longwill had resulted in decrease in the Group's profit and total comprehensive income for the year ended 31 December 2011 by RMB4,143,000. Details of the adjustments for the common control combination on the Group's results for the year ended 31 December 2010 and the Group's financial position as at 31 December 2010 and 2009 are set out in note 15.

## 3 Application of new and revised HKFRSs

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), Related party disclosures

- Improvements to HKFRSs (2010)

HKAS 24 (revised 2009) simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. These amendments have had no material impact on the Group's consolidated financial statements.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 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 HKFRS 7, Financial instruments: Disclosure - Transfers of financial assets | 1 July 2011 |
| Amendments to HKAS 12, Income taxes - Deferred tax: Recovery of underlying assets | 1 January 2012 |
| Amendments to HKAS 1, Presentation of financial statements - Presentation of items of other comprehensive income | 1 July 2012 |
| 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 |
| HKFRS 9, Financial instruments | 1 January 2015 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application, but is not yet in a position to state whether these amendments, new standards and interpretations 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 2011, the Group has the following 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) Communication technology products: | Development, manufacture and sale of communication technology products |
| (iv) Electronic intelligent products: | Development, production and sale of electronic intelligent products |

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 included all non-current and current assets with the exception of interests in associates, available-for-sale equity securities and other corporate assets. Segment liabilities included 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 2011 and 2010:

Year ended 31 December 2011

| | **Electronic manufacturing products** | **Electronic equipment products** | **Communication technology products** | **Electronic intelligent products** | **Other operations** | **Elimination** | **Consolidated** |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | | | | | | | |
| External sales | 649,877 | 450,616 | 301,647 | 655,866 | 57,635 | — | 2,115,641 |
| Internal sales | 2,056 | 46,143 | 8,977 | 21,544 | 33,551 | (112,271) | — |
| Total | 651,933 | 496,759 | 310,624 | 677,410 | 91,186 | (112,271) | 2,115,641 |
| **Results** | | | | | | | |
| Segment results | 57,963 | 18,624 | 15,501 | 1,068 | 10,911 | — | 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 | Electronic equipment products | Communication technology products | Electronic intelligent products | Other operations | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets** | | | | | | | |
| Segment assets | 510,067 | 314,639 | 75,428 | 626,749 | 317,759 | (333,215) | 1,511,427 |
| Associates | | | | | | | 683,793 |
| Available-for-sale equity securities | | | | | | | 3,650 |
| Unallocated corporate assets | | | | | | | 514,261 |
| Consolidated total assets | | | | | | | 2,713,131 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 161,470 | 204,198 | 75,047 | 454,074 | 103,125 | (165,883) | 832,031 |
| Unallocated corporate liabilities | | | | | | | 285,658 |
| Consolidated total liabilities | | | | | | | 1,117,689 |

| | Electronic manufacturing products | Electronic equipment products | Communication technology products | Electronic intelligent products | Other operations | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other information** | | | | | | | |
| Capital expenditure | 23,718 | 3,488 | 130 | 1,969 | 1,408 | 32,215 | 62,928 |
| Depreciation and amortisation | 28,684 | 3,783 | 386 | 1,164 | 601 | 18,648 | 53,266 |
| Write-down of inventories | 11,630 | 1,821 | 2,087 | 3,940 | 73 | — | 19,551 |
| (Gain)/Loss on disposal of property, plant and equipment | — | (8) | — | (13) | (1,124) | 208 | (937) |
| Impairment loss recognised/ (reversed) on trade receivables | (102) | 746 | 276 | 503 | 116 | — | 1,539 |

Year ended 31 December 2010

| | Electronic manufacturing products RMB'000 (Restated) | Electronic equipment products RMB'000 (Restated) | Communication technology products RMB'000 (Restated) | Electronic intelligent products RMB'000 (Restated) | Other operations RMB'000 (Restated) | Elimination RMB'000 (Restated) | Consolidated RMB'000 (Restated) |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| External sales | 603,421 | 284,750 | 233,295 | 517,660 | 25,759 | — | 1,664,885 |
| Internal sales | 5,104 | 22,638 | 26,977 | 77,340 | 21,154 | (153,213) | — |
| Total | 608,525 | 307,388 | 260,272 | 595,000 | 46,913 | (153,213) | 1,664,885 |
| **Results** | | | | | | | |
| Segment results | 47,376 | 8,117 | 1,533 | 5,283 | 3,983 | — | 66,292 |
| Unallocated corporate expenses | | | | | | | (114,156) |
| Interest income | | | | | | | 6,098 |
| Interest expense | | | | | | | (24,938) |
| Share of profits of associates | | | | | | | 91,047 |
| Income tax expense | | | | | | | (16,599) |
| Profit for the year | | | | | | | 7,744 |

## At 31 December 2010

| | Electronic manufacturing products RMB'000 (Restated) | Electronic equipment products RMB'000 (Restated) | Communication technology products RMB'000 (Restated) | Electronic intelligent products RMB'000 (Restated) | Other operations RMB'000 (Restated) | Elimination RMB'000 (Restated) | Consolidated RMB'000 (Restated) |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Segment assets | 549,340 | 224,093 | 57,286 | 397,930 | 216,571 | (222,640) | 1,222,580 |
| Associates | | | | | | | 661,484 |
| Unallocated corporate assets | | | | | | | 690,783 |
| Consolidated total assets | | | | | | | 2,574,847 |
| **Liabilities** | | | | | | | |
| Segment liabilities | 258,370 | 157,066 | 50,282 | 233,550 | 107,109 | (243,929) | 562,448 |
| Unallocated corporate liabilities | | | | | | | 525,341 |
| Consolidated total liabilities | | | | | | | 1,087,789 |

| | Electronic manufacturing products RMB'000 (Restated) | Electronic equipment products RMB'000 (Restated) | Communication technology products RMB'000 (Restated) | Electronic intelligent products RMB'000 (Restated) | Other operations RMB'000 (Restated) | Unallocated RMB'000 (Restated) | Consolidated RMB'000 (Restated) |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Capital expenditure | 55,870 | 5,844 | 123 | 2,074 | 2,020 | 50,297 | 116,228 |
| Depreciation and amortisation | 23,700 | 4,873 | 239 | 701 | 812 | 13,289 | 43,614 |
| Write-down of inventories | 6,232 | 1,737 | 3,375 | 77 | 1,802 | — | 13,223 |
| Impairment loss recognised on property, plant and equipment | — | 5 | — | — | — | — | 5 |
| Loss/(gain) on disposal of property, plant and equipment | 11,577 | — | — | 6 | (30) | — | 11,553 |
| Impairment loss recognised/(reversed) on trade receivables | (187) | 9,597 | (79) | 20,631 | (184) | — | 29,778 |

(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

For the year ended 31 December 2011, there was one customer in the electronic intelligent products segment that accounted for over 10% of the Group's revenue. Sales to this customer amounted to RMB288,807,000.

For the year ended 31 December 2010, there was one customer in the electronic manufacturing products segment that accounted for over 10% of the Group's revenue. Sales to this customer amounted to RMB171,967,000.

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Other income | | |
| Rental income | **4,494** | 4,197 |
| Property management fee income | **6,541** | 6,055 |
| Government subsidies | **5,531** | 30,240 |
| Sundry income | **4,086** | 9,537 |
| | **20,652** | 50,029 |

Other net (losses)/gains

| | | |
|---|---|---|
| Gain on disposal of a subsidiary | **—** | 33 |
| Gain/(loss) on disposal of property, plant and equipment | **937** | (11,553) |
| Exchange losses | **(2,016)** | (2,955) |
| | **(1,079)** | (14,475) |
| | **19,573** | 35,554 |

## 6 Finance costs, net

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Interest expense | | |
| — Bank and other borrowings wholly repayable within five years | **(25,672)** | (23,623) |
| — Finance lease interest | **(35)** | (239) |
| — Others | **(871)** | (1,076) |
| Finance costs | **(26,578)** | (24,938) |
| Finance income | | |
| — Interest income on short-term deposits | **4,966** | 6,098 |
| Finance costs, net | **(21,612)** | (18,840) |

## 7 Profit before taxation

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Cost of inventories recognised as an expense | **1,109,407** | 964,589 |
| Amortisation of land use rights | **683** | 683 |
| Depreciation of property, plant and equipment | **52,583** | 42,931 |
| Impairment loss recognised on property, plant and equipment | **—** | 5 |
| Impairment loss recognised/(reversed) on | | |
| — Trade receivables | **1,539** | 29,778 |
| — Other receivables | **(2,662)** | 1,996 |
| — Amounts due from fellow subsidiaries and associates | **(568)** | (687) |
| Write-down of inventories | **19,551** | 13,223 |
| Research and development expenses# | **86,066** | 53,555 |
| Staff costs (including directors' and supervisors' emoluments) | | |
| — Salaries and other allowances | **224,415** | 173,212 |
| — Retirement benefit scheme contributions | **38,352** | 35,175 |
| Auditor's remuneration | **2,020** | 2,020 |
| Operating lease rentals in respect of | | |
| — Land and buildings | **4,909** | 1,893 |
| — Plant and equipment | **1,363** | 1,156 |
| — Motor vehicles | **937** | 107 |

# Research and development expenses include RMB28,451,000 (2010 as restated: RMB15,816,000) relating to staff costs which is also included in the respective amounts disclosed separately above.

## 8 Income tax expense

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Current tax | | |
| — PRC enterprise income tax | **17,749** | 21,326 |
| — Over-provision in prior year | **(1,753)** | (930) |
| | **15,996** | 20,396 |
| Deferred tax | | |
| — attributable to the origination and reversal of temporary differences | **487** | (3,850) |
| — resulting from a change in tax rate | **352** | 53 |
| | **839** | (3,797) |
| | **16,835** | 16,599 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit before taxation | **132,930** | 24,343 |
| Tax calculated at the statutory PRC tax rate of 25% (2010: 25%) | **33,233** | 6,086 |
| Exemption/reduction of income tax under preferential tax treatment | **(11,671)** | (4,298) |
| Tax effect of: | | |
| Share of results of associates | **(28,227)** | (13,587) |
| Income not subject to tax | **(595)** | (384) |
| Expenses not deductible for tax purposes | **2,142** | 3,264 |
| Effect of change in tax rate | **352** | 53 |
| Unrecognised tax losses and other deferred tax assets | **24,254** | 28,759 |
| Utilisation of previously unrecognised tax losses and other deferred tax assets | **(900)** | (2,390) |
| Over-provision in prior year | **(1,753)** | (930) |
| Others | **—** | 26 |
| Tax charge for the year | **16,835** | 16,599 |

## 9 Earnings per share

The calculation of the basic earnings per share is based on profit attributable to equity holders of the Company of RMB110,070,000 (2010 as restated: RMB9,359,000) and 655,015,000 shares in issue throughout the years 2011 and 2010.

The diluted earnings per share for the years ended 31 December 2011 and 2010 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

## 10 Dividend

Final dividend of RMB50 cents (2010: RMBnil) per ten shares for the year ended 31 December 2011 was proposed by the board of directors after 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.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 11 Trade and bills receivables

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade receivables | **558,352** | 313,956 |
| Less: Provision for impairment | **(52,816)** | (50,159) |
| | **505,536** | 263,797 |
| Bills receivables | **15,720** | 14,315 |
| Due from ultimate holding company | **950** | 1,344 |
| Due from fellow subsidiaries | **29,141** | 8,019 |
| Due from associates | **13,299** | 30,727 |
| Total trade and bills receivables | **564,646** | 318,202 |

(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:

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Within 1 year | **554,235** | 306,878 |
| 1 to 2 years | **10,238** | 2,132 |
| 2 to 3 years | **74** | 8,100 |
| Over 3 years | **99** | 1,092 |
| | **564,646** | 318,202 |

## 12 Restricted bank deposits

Included in restricted bank deposits at 31 December 2010 was amount of RMB175,000,000 placed by the Group, in a designated bank account for the capital contribution to a new subsidiary. This amount was transferred to investments in subsidiaries in January 2011 upon obtaining the final approval from relevant government authority for the establishment of that subsidiary.

The restricted bank deposits, except for the aforesaid balance, are pledged as security for:

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bills payable | **44,683** | 29,090 |
| Performance bonds given by banks to customers in respect of projects undertaken | **58,422** | 25,843 |
| | **103,105** | 54,933 |

## 13 Bank borrowings

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short term bank loans | **358,308** | 478,000 |
| Bills payables, secured | **69,060** | 42,574 |
| | **427,368** | 520,574 |

At 31 December 2011, the Company's short term bank loans amounting to RMB70,000,000 (2010: RMB75,000,000) were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB1,150,000 (2010: RMB1,441,000) and RMB113,822,000 (2010: RMB119,949,000) respectively with banks, and short term bank loans amounting to RMB170,000,000 (2010: RMB350,000,000) were secured by corporate guarantees from the ultimate holding company.

## 14 Trade payables

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade payables | **445,447** | 319,237 |
| Due to ultimate holding company | **4,087** | 3,968 |
| Due to fellow subsidiaries | **17,260** | 7,226 |
| Due to associates | **80** | — |
| Total trade payables | **466,874** | 330,431 |

The following is an ageing analysis of trade payables:

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Within 1 year | **395,206** | 266,610 |
| 1 to 2 years | **28,844** | 24,712 |
| 2 to 3 years | **18,094** | 19,162 |
| Over 3 years | **24,730** | 19,947 |
| | **466,874** | 330,431 |

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 Business combination under common control

Details of adjustments for common control combination of Longwill (see Note 2) on the Group's results for the year ended 31 December 2010 and the consolidated balance sheets at 31 December 2010 and 2009 are as follows:

| | As previously reported | Longwill | Adjustments | As restated |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2010** | | | | |
| Turnover | 1,645,946 | 19,177 | (238) | 1,664,885 |
| Profit before taxation | 24,123 | 220 | — | 24,343 |
| Income tax expense | (16,588) | (11) | — | (16,599) |
| **Profit for the year** | 7,535 | 209 | — | 7,744 |
| **Earnings per share** *(RMB cents)* | | | | |
| — Basic and diluted | 1.40 | 0.04 | (0.01) | 1.43 |
| **At 31 December 2010** | | | | |
| **ASSETS** | | | | |
| Non-current assets | 1,301,840 | 709 | — | 1,302,549 |
| Trade and bills receivables | 313,738 | 4,466 | (2) | 318,202 |
| Other current assets | 946,266 | 7,830 | — | 954,096 |
| **Total assets** | 2,561,844 | 13,005 | (2) | 2,574,847 |

| | | | | |
|---|---|---|---|---|
| **EQUITY** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 655,015 | 3,000 | (3,000) | 655,015 |
| Reserves | 821,122 | 670 | 2,936 | 824,728 |
| | 1,476,137 | 3,670 | (64) | 1,479,743 |
| Non-controlling interests | 6,582 | — | 733 | 7,315 |
| **Total equity** | 1,482,719 | 3,670 | 669 | 1,487,058 |
| **LIABILITIES** | | | | |
| Non-current liabilities | 4,069 | — | — | 4,069 |
| Trade payables | 327,200 | 3,902 | (671) | 330,431 |
| Other current liabilities | 747,856 | 5,433 | — | 753,289 |
| **Total liabilities** | 1,079,125 | 9,335 | (671) | 1,087,789 |
| **Total equity and liabilities** | 2,561,844 | 13,005 | (2) | 2,574,847 |

| | As previously reported | Longwill | Adjustments | As restated |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2009** | | | | |
| **ASSETS** | | | | |
| Non-current assets | 1,358,569 | 822 | — | 1,359,391 |
| Deposits, prepayments and other receivables | 84,914 | 1,014 | (11) | 85,917 |
| Other current assets | 1,013,457 | 8,807 | — | 1,022,264 |
| **Total assets** | 2,456,940 | 10,643 | (11) | 2,467,572 |
| **EQUITY** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 655,015 | 3,000 | (3,000) | 655,015 |
| Reserves | 809,990 | 2,022 | 2,665 | 814,677 |
| | 1,465,005 | 5,022 | (335) | 1,469,692 |
| Non-controlling interests | 11,785 | — | 1,004 | 12,789 |
| **Total equity** | 1,476,790 | 5,022 | 669 | 1,482,481 |
| **LIABILITIES** | | | | |
| Non-current liabilities | 5,279 | — | — | 5,279 |
| Trade payables | 276,240 | 433 | (680) | 275,993 |
| Other current liabilities | 698,631 | 5,188 | — | 703,819 |
| **Total liabilities** | 980,150 | 5,621 | (680) | 985,091 |
| **Total equity and liabilities** | 2,456,940 | 10,643 | (11) | 2,467,572 |

*Note:*

The above adjustments mainly represent adjustments to eliminate the paid-up capital of Longwill against the Company's investment cost in Longwill, intra-group transactions and current accounts between the Group companies and Longwill. No other significant adjustments were made to the net assets and net profit of any entities of the Group as a result of the common control combination to achieve consistency of accounting policies.

## 16 Contingent liabilities

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Performance bonds given by banks to customers in respect of projects undertaken | **58,422** | 25,843 |

## 17 Capital commitments

At 31 December 2011, outstanding capital commitments not provided for in the financial statements are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted for | | |
| — Property, plant and equipment | **14,842** | 51,710 |

## 3.2 PREPARED UNDER THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

### 3.2.1 Principal accounting data

*Unit: RMB'000*

| | **2011** | 2010 | | Increase/ decrease from last year (%) | 2009 | |
|---|---|---|---|---|---|---|
| | | After the adjustment | Before the adjustment | (After the Adjustment) | After the adjustment | Before the adjustment |
| Total operating income | **2,142,395.29** | 1,694,020.60 | 1,674,972.07 | 26.47 | 1,301,262.89 | 1,284,864.42 |
| Operating profit | **122,983.47** | 556.51 | 1,964.26 | 21,999.06 | -5,430.71 | -5,850.72 |
| Total profit | **132,930.16** | 24,343.62 | 24,122.87 | 446.06 | 32,271.85 | 31,398.25 |
| Net profit attributable to shareholders of the Company | **110,070.23** | 9,359.54 | 9,192.40 | 1,076.02 | 16,303.67 | 15,525.67 |
| Net profit attributable to shareholders of the Company after extraordinary items | **104,142.13** | -11,282.47 | -11,282.47 | N/A | -21,271.22 | -21,271.22 |
| Net cash flow from operating activities | **-189,911.76** | -164,739.89 | -163,351.41 | N/A | 248,016.86 | 247,497.97 |
| | **As of the end of 2011** | As of the end of 2010 | | Increase/ | As of the end of 2009 | |
| | | After the adjustment | Before the adjustment | decrease from last year (%) | After the adjustment | Before the adjustment |
| Total assets | **2,713,131.16** | 2,574,845.81 | 2,561,842,57 | 5.37 | 2,467,571.32 | 2,456,940.25 |
| Total liabilities | **1,117,689.57** | 1,087,788.02 | 1,079,123.69 | 2.75 | 985,090.91 | 980,150.33 |
| Equity attributable to shareholders of the Company | **1,587,039.95** | 1,479,742.18 | 1,476,137.18 | 7.25 | 1,469,690.79 | 1,465,004.52 |
| Total share capital *(shares)* | **655,015,000** | 655,015,000 | 655,015,000 | 0 | 655,015,000 | 655,015,000 |

### 3.2.2 Key financial indicators

*Unit: RMB*

| | **2011** | 2010 | | Increase/ decrease from last year (%) | 2009 | |
|---|---|---|---|---|---|---|
| | | After the adjustment | Before the adjustment | (After the Adjustment) | After the adjustment | Before the adjustment |
| Basic earnings per share | **0.17** | 0.01 | 0.01 | 1,076.02 | 0.02 | 0.02 |
| Diluted earnings per share | **0.17** | 0.01 | 0.01 | 1,076.02 | 0.02 | 0.02 |
| Basic earnings per share after extraordinary items | **0.16** | -0.02 | -0.02 | N/A | -0.03 | -0.03 |
| Weighted average return on net assets (%) | **7.17** | 0.63 | 0.62 | Increased by 6.54 percentage points | 1.08 | 1.04 |
| Weighted average return on net assets after extraordinary items (%) | **6.77** | -0.76 | -0.77 | N/A | -1.44 | -1.44 |
| Net cash flow from operating activities per share | **-0.29** | -0.25 | -0.25 | N/A | 0.38 | 0.38 |

| | **As of the end of 2011** | As of the end of 2010 | | Increase/ decrease from last year (%) | As of the end of 2009 | |
|---|---|---|---|---|---|---|
| | | After the adjustment | Before the adjustment | (After the Adjustment) | After the adjustment | Before the adjustment |
| Net assets attributable to shareholders of the Company per share | **2.42** | 2.26 | 2.25 | 7.25 | 2.24 | 2.24 |
| Gearing ratio | **41.20%** | 42.25% | 42.12% | Decreased by 1.05 percentage points | 39.92% | 39.89% |

*Note:* The total share capital of the Company remains unchanged during the year.

### 3.2.3 Items of extraordinary items

*Unit: RMB'000*

| Items | 2011 | 2010 | 2009 |
|---|---|---|---|
| Gains and losses from disposal of non-current assets | **937.08** | -11,520.51 | 7,860.08 |
| Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to gains and losses for the period | **4,513.61** | 27,784.40 | 23,220.25 |
| Net profits and losses of subsidiaries under same control as a result of merge of enterprises from the beginning of the period to the date of merger | **-2,441.88** | 208.93 | 4,871.59 |
| Other non-operating net income and expenses other than the aforesaid items | **3,478.32** | 5,101.41 | 5,418.83 |
| Impact on enterprise income tax | **-801.90** | 252.68 | -2,633.62 |
| Net extraordinary profit and loss attributable to minority shareholders | **242.87** | -1,184.90 | -1,162.24 |
| Total | **5,928.10** | 20,642.01 | 37,574.89 |

**3.3 There was no difference between the net profit and net assets of the Company prepared under the domestic and overseas accounting standards.**

# 4 CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

## 4.1 Details of the Shareholders

As at 31 December 2011, The total number of shareholders, the number of shares held by the top ten shareholders and holders of shares not subject to trading moratorium of the Company are as follows:

*Unit: Shares*

| | | |
|---|---|---|
| Total number of shareholders as at the end of the reporting period | : | 20,050, including 20,000 A share holders and 50 H share holders |
| Total number of shareholders as at the end of the month prior to the publication of this announcement | : | 19,690, including 19,639 A share holders and 51 H share holders |

**Details of the top ten shareholders**

| Name of shareholders | Type of shareholders (State-owned or foreign shareholders) | Percentage of shareholding *(%)* | Total number of shares held | Number of shares held subject to trading moratorium | Number of shares pledged or frozen |
|---|---|---|---|---|---|
| PEGL | State-owned shareholder | 51.10 | 334,715,000 | 0 | 167,350,000 |
| HKSCC (Nominees) Limited | Foreign shareholder | 36.75 | 240,729,599 | 0 | Unknown |
| Huang Jitang | Others | 0.331 | 2,170,081 | 0 | Unknown |
| Peng Hongwan | Others | 0.177 | 1,161,026 | 0 | Unknown |
| Nanjing Changtai Electronic Technology Company Limited | Others | 0.153 | 1,000,000 | 0 | Unknown |
| Zheng Xinhua | Others | 0.098 | 640,000 | 0 | Unknown |
| Yang Chunyan | Others | 0.071 | 466,854 | 0 | Unknown |
| Wang Caihong | Others | 0.070 | 459,486 | 0 | Unknown |
| Rong Tao | Others | 0.061 | 397,600 | 0 | Unknown |
| Zhang Likun | Others | 0.059 | 388,769 | 0 | Unknown |

**Details of the top ten holders of shares not subject to trading moratorium**

| Name of shareholders | Number of shares held not subject to trading moratorium | Class of shares |
|---|---|---|
| PEGL | 334,715,000 | A |
| HKSCC (Nominees) Limited | 240,729,599 | H |
| Huang Jitang | 2,170,081 | A |
| Peng Hongwan | 1,161,026 | A |
| Nanjing Changtai Electronic Technology Company Limited | 1,000,000 | A |
| Zheng Xinhua | 640,000 | A |
| Yang Chunyan | 466,854 | A |
| Wang Caihong | 459,486 | A |
| Rong Tao | 397,600 | A |
| Zhang Likun | 388,769 | A |

| | |
|---|---|
| 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. |

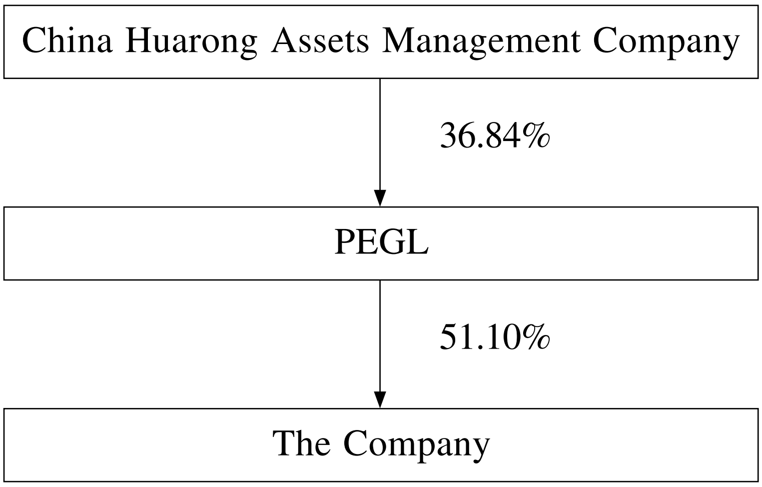
*Notes:*

(1) Among the shareholders named above, PEGL held 334,715,000 shares of the Company on behalf of the State, representing 51.10% of the issued share capital of the Company, which were circulating shares not subject to trading moratorium. Among the shares held by PEGL, 167,350,000 shares were pledged on 28 November 2011.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 1 December 2011, and on the websites of the Hong Kong Stock Exchange and the Company on 30 November 2011.)

(2) HKSCC (Nominees) Limited held 240,729,599 H Shares, representing 36.75% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of the total share capital issued by the Company.

## 4.2 The controlling relationship between the Company and the de facto controller is as follows:




*Notes:*

1. Nanjing Electronics Information Industrial Corporation ("NEIIC") was jointly invested and established pursuant to the agreement entered into by Nanjing State-owned Assets Supervision and Administration Commission of the PRC ("Nanjing SASAC"), 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 China Electronics Corporation ("CEC") (of which CEC accounts for 70%, Nanjing SASAC and Guo Xin Group account for 15% each). Pursuant to the agreement, NEIIC will hold 47.98% equity interest in PEGL, the controlling shareholder of the Company, and hence becoming the largest shareholder of PEGL. Pursuant to the approval of the change in the ultimate controller of the Company (Guo Zi Chan Quan [2009] No. 843) (《關於南京熊猫電子股份有限公司實際控制人變更有關問題的批覆》(國資產權[2009]843號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, the ultimate controller of the Company will be changed to CEC upon completion of the establishment of NEIIC. The completion of the agreement is still subject to the relevant approval procedures of the China Securities Regulatory Commission ("CSRC") and other relevant regulatory authorities. Hence, when going through relevant approval procedures, according to the relevant requirements set out in the "Administrative Measures for the Takeover of Listed Companies" (Zheng Jian Hui Lin [2006] No. 35) issued by the CSRC, CEC reported the change of ultimate controller of the Company to the CSRC and applied to CSRC for a waiver from compliance with the general offer requirement. As the grounds for waiver from

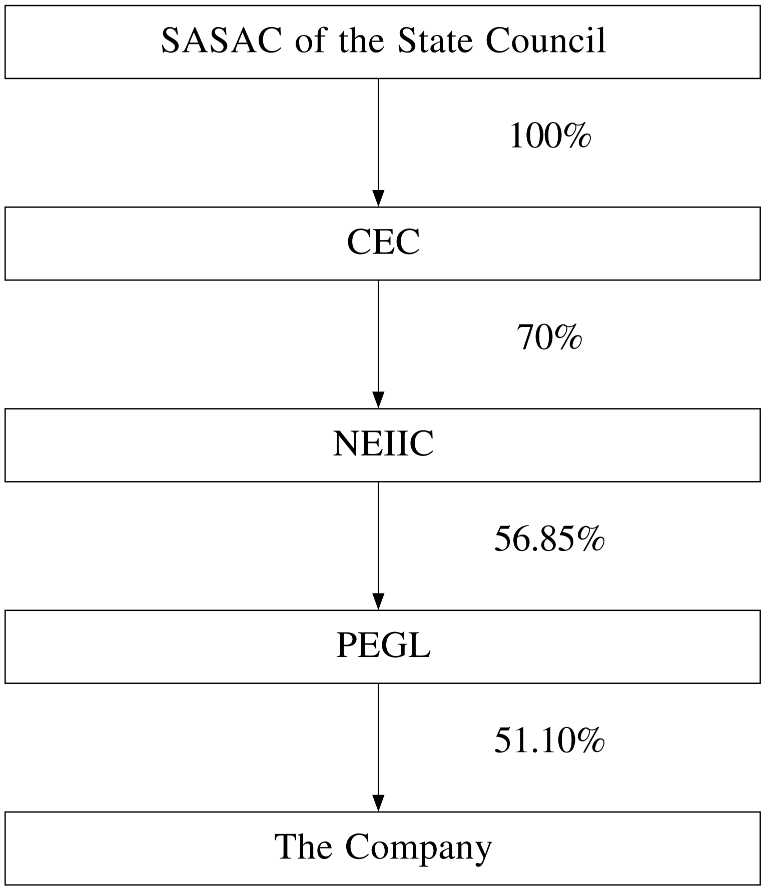
general offer in the proposed acquisition do not satisfy the relevant requirements set out in Clause 1 of Rule 63 of the "Administrative Measures for the Takeover of Listed Companie", CEC intends to withdraw the said submission and resubmit the application with necessary amendments and supplemental documents to the CSRC.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 8 September 2009 and 4 December 2010, and on the websites of the Hong Kong Stock Exchange and the Company on 7 September 2009 and 3 December 2010.)

2. At the beginning of 2012, CEC, Gou Xin Group and Nanjing SASAC entered into a supplemental agreement for the joint investment and restructuring of PEGL (《關於聯合投資重組熊猫集團等企業的補充協議》), pursuant to which, part of the contribution from Gou Xin Group and Nanjing SASAC in kind at RMB1 each in form of their equity interest in PEGL, i.e. 21.59% and 26.39% respectively, was changed to contribution in cash, at RMB1 each. Meanwhile, Gou Xin Group will transfer 21.59% of equity interest held by it in PEGL to NEIIC, and Nanjing SASAC will transfer the total equity interest held by it through Nanjing Xingang Development Corporation (南京新港開發總公司) (holding 22.07% of equity interests in PEGL) and Nanjing Municipal State-owned Assets Operation (Holding) Company (南京市國有資產經營(控股)有限公司) (holding 4.32% of equity interests in PEGL) to NEIIC with no consideration. The Jiangsu State-owned Assets Supervision and Administration Commission of the People's Republic of China (江蘇省人民政府國有資產監督管理委員會) has approved in its reply the transfer of 22.07%, 21.59% and 4.32% state-owned equity interests in PEGL held by Nanjing Xingang Development Corporation, Guo Xin Group and Nanjing Municipal State-owned Assets Operation (Holding) Company respectively to NEIIC with nil consideration.

   (For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 6 March 2012 and on the websites of the Hong Kong Stock Exchange and the Company on 7 March 2012.)

Upon completion of the relevant approval procedure, the diagram of property rights and controlling relationship between the Company and the ultimate controller shall become:



# 5 REPORT OF THE BOARD

## 5.1 Management discussion and analysis

### 5.1.1 Principal operating results of the Company during the reporting period

1. Principal operations of the Company

   In 2011, in the face of the unfavorable circumstances such as slowdown in domestic macro-economy and wider economic difficulties, the management of the Company, according to requirements of the Board, fully implemented the strategic decisions of the shareholders' meeting to fulfill the operation and development goals of the year. The management put more efforts in business and product structure adjustment, pressed ahead with the commercialization of independent innovation and scientific and technological achievements, further strengthened basic management, improved productivity, expanded market presence and enhanced the Company's influence and controlling power. All these endeavors have led to a significant improvement in major economic indicators over the same period last year, laying a sold foundation for the development of the Company during the "Twelfth Five-Year Plan" period.

   While the Company had made great strides in principal businesses such as electronic manufacturing products, electronic intelligent products, electronic equipment products and communication technology products, the Company had also improved its management services to its joint ventures so as to maintain their steady growth momentum.

According to the PRC Accounting Standards for Business Enterprises, revenue from operations of the Company for the year amounted to RMB 2,142,000,000, representing an increase of 26.47% as compared with that of last year; profit of operations for the year amounted to RMB122,000,000 (2010: RMB556,500); net profit amounted to RMB110,070,000, representing an increase of 1,076.02% as compared with that of last year. Under the HKFRSs, revenue from principal operations of the Company for the year amounted to RMB2,115,000,000, representing an increase of 27.07% as compared with that of last year; profit of principal operations amounted to RMB243,120,000, representing an increase of 12.23% as compared with that of last year; net profit attributable to shareholders amounted to RMB110,070,000, representing an increase of 1,076.02% as compared with that of last year.

2. Operation of the principal investee companies

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

ENC is held as to 27% by the Company, 25% by Telefonaktiebolaget L.M. Ericsson, 26% by Ericsson (China) Company Limited, 20% by China PTIC Information Corporation (中國普天信息產業集團公司), and 2% by Hong Kong Yung Shing Enterprise Company. ENC is mainly engaged in production of mobile telecommunication system products and network communication systems, etc. ENC is one of the supply pivots for Ericsson in the world, and is the largest supplier of mobile telecommunication equipments in China. In 2011, ENC significantly reduced losses from WCDMA, further cut hardware cost and put more efforts in and sped up the export business, 3G business in particular, and sustained rapid growth in economic benefits consequently.

Based on the international accounting standards, operating revenue of ENC for 2011 amounted to RMB21,100,000,000, representing an increase of 45.62% as compared to the corresponding period of last year; net profits amounted to RMB645,000,000, representing an increase of 43.02% as compared to the corresponding period of last year.

(2) Beijing SE Putian Mobile Communication Co., Ltd. ("**BMC**")

BMC is held as to 20% by the Company, 51% by Sony Ericsson Mobile Communication Limited, 27% by China PTIC Information Corporation (中國普天信息產業集團公司) and 2% by Hong Kong Yung Shing Enterprise Company. BMC is mainly engaged in mobile terminals (mobile phones) under the brand of Sony Ericsson and is the principal production base and supply centre of Sony Ericsson mobiles. Thanks to the breakthrough in product upgrades, BMC's operating profit grew several times and recorded far better results as compared to last year although sales income increased at a moderate level.

Based on the international accounting standards, operating revenue of BMC for 2011 amounted to RMB20,200,000,000, representing an increase of 4.40% as compared to the corresponding period of last year; net profits amounted to RMB447,000,000, representing an increase of 155% as compared to the corresponding period of last year.

(3) Hua Fei Color Display Systems Company Limited ("**Hua Fei Company**")

Hua Fei Company is held as to 25% by the Company, 20% by Nanjing Hua Dong Electronics Information Technology Holdings Limited and 55% by LG. Philips Displays International Ltd.(樂金•飛利浦顯示件國際有限公司). Its principal operations include development, design and manufacture of colour image tubes, colour monitor tubes and other colour display system products, their spare parts and materials and related electronic products, as well as sales of self-produced products.

In September 2011, the Intermediate People's Court of Nanjing City, Jiangsu Province accepted the lawsuit brought by creditors of Hua Fei Company in respect of the winding up of Hua Fei Color Display Systems Company Limited. Creditors are filing claims at the present stage. (For details, please refer to the relevant announcements published on the websites of the Hong Kong Stock Exchange and the Company on 21 September 2011 and in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 22 September 2011). As at 31 December 2011, the balance of the Company's long-term equity investment in Hua Fei Company was nil.

3. Major suppliers and customers

As at 31 December 2011, the aggregate turnover from the top five customers of the Company amounted to RMB784,520,000, accounting for 36.62% of the turnover of the Company for the year. The turnover from the largest customer made up 13.48% of the turnover of the Company for the year.

The aggregate amount of purchase from the top five suppliers of the Company amounted to RMB263,130,000, accounting for 14.30% of the total amount of purchase made by the Company for the year. The purchase amount from the largest supplier accounted for 4.43% of the total amount of purchase made by 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.

4. Outlook of the Company's future development

(1) Development trend of the industry where the Company operates and the market pattern which the Company is facing

Through business structure adjustment, equity relationship rationalization and business layout optimization by the Company, a business segment centered on electronic equipment and electronic manufacturing basically took shape.

Electronic equipment industry is a strategic industry which provides technical equipments for various industries of national economy and is an important guarantee to promote industrial upgrade and technical advancements of various industries. Electronic equipment products which integrate mechanics, electronics, optics, control tech, computer and information are currently developing towards the intelligent and systematic direction. The Company will further strengthen R&D and investment in railway transit equipment, automatic transmission equipment, environmental protection equipment, and communication equipment so as to facilitate the Company's development in the electronic equipment industry.

Electronic manufacturing industry has become an important industry of the national economy. The overall industry is still at its growing stage, with constant application of innovative technology and production processes and the improvement of core competitiveness of manufacturing industry, electronic manufacturing will continue to grow at a steady pace. To meet our customers' demands, the Company will improve the manufacturing model to provide customers full-package support services integrating product design, testing, marketing and logistics, and gradually develop relevant proprietary products.

Since technology is pivotal in electronic equipment, electronic intelligence and the related products, the replacement speed of the products is fast. Together with constant market change and intense product competition, the Company is expected to face both good opportunities and great challenges.

(2) Development strategy of the Company

By fully practicing the scientific outlook on development, and adjusting the industrial structure, corporate structure, assets structure and talents structure, the Company will accomplish industrial transformation and upgrading, build a brand-new marketing platform to boost its products sales capabilities, strengthen management of and services for joint ventures, exercise its financing function in the capital market, enhance its capability for sustained development and fulfill rapid and robust growth by fully leveraging existing resources and committing itself to technological innovation, management innovation and service innovation, striving to build itself into a first-class electronic and equipment products manufacturer and service provider in the PRC, which also enjoys extensive reputation worldwide.

(3) Risk factors

"The Twelfth Five-Year Plan" of the State emphasizes an transforming economic development mode, promoting structure adjustment, optimization and upgrade. Expanding domestic demand, technological advancements and innovation will play an important role in transforming economic development mode, while it provides a favorable environment for the Company's principal operations including electronic manufacturing, electronic intelligence, electronic equipment and communication technology products, such opportunities are also accompanied by uncertainty and risks.

Due to fast changes and upgrades of electronics-related technologies, the Company is facing relevant technical risks. As the Company is in the electronic information industry, which is one of the most competitive industries, the Company is facing fierce competition in the market.

(4) Development plans for 2011

2012 is an important year for the implementation of the "Twelfth Five-Year Plan". After several years of adjustment, the Company has established the capabilities and strengths for accelerating development to achieve a great-leap-forward development. The Company will unswervingly continue to speed up development, emancipate our minds, seize opportunities, stay grounded and work hard to make new breakthroughs. The Company will concentrate on the following six aspects:

(i) Step up efforts for restructuring and consolidation in light of development requirements

Continue to reorganise and consolidate the specialized subsidiaries of the Company, apply specialized management modes for the governance, operation and development of all the enterprises and specialized subsidiaries to make them better and stronger pursuant to the requirements for adjustments to the industrial structure, the corporate structure, the assets structure and the talents structure.

(ii) Strengthen the core competitive power by enhancing scientific research level

Continue to increase investment in R&D, enhance its capabilities for independent innovation, make elaborate arrangement for the formulation and implementation of R&D projects, strengthen intellectual property rights management, highlight invention patents, and promote the commercialization and application of scientific and technological achievements. Integrate external and internal technical resources in order to strengthen the cooperation among enterprises, universities and research institutes and push forward with the R&D projects to ensure the successful implementation of key projects as scheduled.

(iii) Leverage comprehensive advantages and seize opportunities in domestic and overseas markets

Exploit the advantages as a state-owned enterprise, focus on the Company's own major and key projects, keep a close eye on external markets and seize opportunities coming from national major and key projects. Build and extend the Company's presence in the consumer goods market continuously and strive for breakthroughs in such moves.

(iv) Intensify human resources strategy and build capable teams

Further intensify the human resources strategy of the Company and give priority to the introduction and development of leading talents in technology, management and marketing to create high-end talent teams. Meanwhile, develop employees at different levels, form stable workforce pillars and strengthen the low-level technician team. Further improve the performance appraisal and incentive system to motivate cardres and employees, encourage development in different levels and professions. Build capable teams for all parts of the operations including R&D, production, management, marketing and logistics.

(v) Diversify financing channels and improve assets management

Vigorously revitalize unproductive assets to reduce debt burdens, optimize assets structure and improve assets management. Further tighten up capital management, adjust financing structure to lower capital costs and prevent financial risks.

(vi) Uphold compliant operation and effectively control operation risks

Closely follow the business concept of "legal compliance, professionalism and high efficiency", start with strengthening of systems management, continue to promote basic management and enhance efficiency by improving management. Provide guidance and give professional advice on and supervise the compliant operation of all the production and operation entities of the Company to prompt implementation of prudent and mature operation strategies and benefit sustainable development.

(5) The target operating revenue of the Company in 2012 is RMB2,009,720,000. The operating expenses during the period will be limited to RMB386,440,000 or below, out of which selling expenses to be at RMB54,140,000, administrative costs to be at RMB287,570,000 and finance costs to be at RMB44,730,000.

## 5.1.2 Analysis on financial status of the Company

1. Financial status

According to the PRC Accounting Standards for Business Enterprises, changes in major financial indicators are as follows:

1.1 Major changes of accounts in balance sheet:

*Unit: RMB'000*

| **Items** | **2011** | **2010** | **Increase/ (decrease)** *(%)* |
|---|---|---|---|
| Accounts receivable | **548,925.35** | 303,886.55 | 80.63 |
| Other receivables | **23,267.11** | 198,665.15 | –88.29 |
| Construction in progress | **306.36** | 3,883.49 | –92.11 |
| Bills payable | **69,060.35** | 42,573.51 | 62.21 |
| Accounts payable | **466,874.18** | 330,430.92 | 41.29 |
| Taxes payable | **–12,370.97** | 13,766.01 | –189.87 |
| Interests payable | **969.06** | 691.70 | 40.10 |
| Dividends payable | **143.29** | 1,799.34 | –92.04 |
| Non-current liabilities due within one year | **4,000.00** | 1,278.67 | 212.83 |
| Deferred income tax liabilities | **390.24** | 68.91 | 466.30 |

Reasons for changes:

(1) Increase in accounts receivable is mainly due to concentrated export sales in the fourth quarter, which resulted in increase in accounts receivable during the credit period.

(2) Decrease in other receivables 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 incorporation this year and transferred the investment capital from other receivables.

(3) Decrease in construction in progress is mainly because Xingang plant project has reached intended use and has been transferred into fixed assets.

(4) Increase in bills payable is mainly attributable to the increase in purchases which use bills for settlement in the year.

(5) Increase in accounts payable is mainly attributable to the Company's business expansion.

(6) Decrease in taxes payable is mainly attributable to rise in input taxes as a result of the growth of the processing business with imported material.

(7) Increase in interests payable is mainly attributable to rise in interest rates on borrowings.

(8) Decrease in dividend payable represents the dividends payable to minority shareholders which have not yet been paid by subsidiaries.

(9) Increase in non-current liabilities due within one year is mainly because the long-term borrowings due in 2012 were transferred to this item.

(10) Increase in deferred income tax liabilities is mainly because there are circumstances where certain subsidiaries are required to pay income tax in the foreseeable future.

1.2 Major changes of accounts in income statement:

*Unit: RMB'000*

| Items | 2011 | 2010 | Increase/ (decrease) (%) |
|---|---|---|---|
| Business taxes and surcharges | **15,718.93** | 11,968.13 | 31.34 |
| Loss in assets impairment | **17,860.00** | 44,483.76 | –59.85 |
| Investment income | **188,191.18** | 91,080.36 | 106.62 |
| Operating profit | **122,983.47** | 556.51 | 21999.06 |
| Non-operating income | **10,788.63** | 37,272.58 | –71.05 |
| Non-operating expenses | **841.94** | 13,485.46 | –93.76 |
| Minority interests | **6,025.15** | –1,615.26 | 473.01 |

Reasons for changes:

(1) Increase in business taxes and surcharges is mainly attributable to the increase in sales.

(2) Decrease in loss in assets impairment is mainly attributable to significant provision made for bad debts in the previous year.

(3) Increase in investment income is mainly attributable to the increase in profit from some joint ventures in the period.

(4) Increase in operating profit is mainly attributable to the increase in investment income in the year.

(5) Decrease in non-operating income is attributable to the decrease in subsidy income in the year.

(6) Decrease in non-operating expenses is mainly attributable to the renewal of machinery equipments of the Company and the disposal of a batch of old equipments in the previous year.

(7) Decrease in minority interests is mainly attributable to the recognition of excess loss of certain subsidiaries.

1.3 Major changes of accounts in cash flow statement:

*Unit: RMB'000*

| **Items** | **2011** | 2010 | Increase/ (decrease) *(%)* |
|---|---|---|---|
| Net cash flows from investment activities | **293,366.41** | –76,753.59 | 482.22 |
| Net cash flows from financing activities | **–151,590.92** | 70,043.76 | –316.42 |

Reasons for changes:

(1) Increase in net cash flows from investment activities is mainly due to the dividend received by joint ventures and the fact that 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 incorporation this year.

(2) Decrease in net cash flows from financing activities is mainly attributable to the decrease in bank loans in the year.

2. Liquidity of capital

In accordance with the HKFRSs, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 41.20%, RMB1,117,000,000, 1.23 and 1.06 respectively as at 31 December 2011 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB446,000,000 as at 31 December 2011 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans amounted to RMB358,000,000 as at 31 December 2011 as shown in the consolidated financial statements of the Company.

During the reporting period, benchmark interest rate per annum from the beginning of the period to 8 February 2011 was 5.81%; benchmark interest rate per annum from 9 February 2011 to 5 April 2011 was 6.06%; benchmark interest rate per annum from 6 April 2011 to 6 July 2011 was 6.31%; benchmark interest rate per annum from 7 July 2011 to the date of the announcement was 6.56%.

The Board believes that the Company can maintain or enlarge its existing bank facilities to meet various financial obligations.

## 5.2 Principal operating income and segmental information classified by businesses or products (prepared under the PRC Accounting Standards for Business Enterprises)

*Unit: RMB'000*

| Business or product | Principal operating income | Principal operating costs | Principal operating profit margin *(%)* | Revenues from principal operation increase/(decrease) from last year *(%)* | Principal operating costs increase/(decrease) from last year *(%)* | Principal operating profit margin increase/(decrease) from last year *(%)* |
|---|---|---|---|---|---|---|
| Electronic manufacturing products | 629,507.96 | 500,026.39 | 20.57 | 5.58 | 14.16 | –5.97 |
| Electronic intelligent products | 654,317.10 | 583,003.25 | 10.90 | 25.88 | 18.48 | 5.56 |
| Electronic equipment products | 442,603.97 | 401,042.67 | 9.39 | 58.50 | 60.88 | –1.34 |
| Communication technology products | 294,249.18 | 278,353.88 | 5.40 | 32.57 | 31.14 | 1.03 |
| Others | 60,257.96 | 50,761.33 | 15.76 | 70.76 | 145.08 | –25.55 |
| Total | 2,080,936.18 | 1,813,187.52 | 12.87 | 25.92 | 28.38 | –1.67 |

## 5.3 Principal operations by geographical regions (prepared under the PRC Accounting Standards for Business Enterprises)

The principal operations of the Company mainly span across different regions in the PRC.

## 5.4 Use of raised proceeds

During the reporting period, the Company did not raise any capital, nor did it utilize any proceeds raised in the reporting period or in the previous period.

## 5.5 Acquisition and disposal of assets and long-term investment

During the reporting period, the Company acquired 80% and 20% of equity interests in Nanjing Longwill Communications Technology Co., Ltd (南京聯慧通信技術有限公司) from PEGL and natural persons respectively. The approval procedure was lawful and valid and the transaction value was fair and reasonable. The transaction involved no insider dealing and was not detrimental to shareholders' interests, nor did it result in erosion of the Company's assets.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 18 November 2011, and on the websites of the Hong Kong Stock Exchange and the Company on 17 November 2011.)

## 5.6 Entrusted custody of funds, entrusted loans and derivative investment

During the reporting period, the Company had no entrusted custody of funds, entrusted loans and derivative investment.

## 5.7 Non-operating transactions relating to creditor's rights and debt

*Unit: RMB' 0,000*

| Related parties | Provision of funds to related parties | | Provision of funds to the Company by related parties | |
|---|---|---|---|---|
| | Amount occurred | Balance | Amount occurred | Balance |
| PEGL | | | | 741.60 |
| Nanjing Electronics (Kunshan) Co. Ltd. | | 279.94 | | 30.00 |
| Intenna (Nanjing) Co. Ltd. | | | | 217.51 |
| Nanjing Panda Electronics Transportation Company Limited | | | | 1.46 |
| Nanjing Panda Electronics Technology Development Company Limited | | | 13.40 | 13.40 |
| Nanjing Panda Garden Property Management | | | | 5.18 |
| Panda (Beijing) International Information Technology Co., Ltd. | | | | 4.56 |
| Nanjing Panda Piezoeletric Technique Co., Ltd. | | | | 0.02 |
| Total | 0.00 | 279.94 | 13.40 | 1,013.73 |

During the reporting period, the actual amount provided by the Company to the controlling shareholders and its subsidiaries was nil and the balance was nil.

## 5.8 Auditors

At the Company's annual general meeting on 30 June 2011, the proposal for reappointment of Baker Tilly China ("**BT China**") and Baker Tilly Hong Kong Limited ("**BT Hong Kong**") as the PRC and international auditors of the Company for 2011 respectively was considered and approved.

BT China and BT Hong Kong were appointed to provide audit services to the Company for the fourth year and the second year respectively.

Remuneration paid by the Company to the abovementioned two certified public accountants for their audit services for the annual report were aggregately RMB2,020,000, of which RMB1,237,000 was paid to BT China while RMB783,000 was paid to the BT Hong Kong (the aggregate amount of 2010: RMB2,020,000).

## 5.9 Other events

5.9.1 Tax policies

The Company was re-recognized in September 2011 as a high and new 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.

5.9.2 Code on Corporate Governance and Model Code

During the reporting period, the Company has 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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on 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.

5.9.3 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 2011 and the audited financial report for 2011.

## 6 FINANCIAL REPORT (PREPARED UNDER THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

### 6.1 Audit opinion

BT China has audited the Company's 2011 financial report and issued an unqualified auditors' report (Tian Zhi Hu SJ [2012] No. 1147).

### 6.2 As compared with the latest annual report, there are no changes in accounting policy, accounting estimation and auditing methods during the reporting period.

### 6.3 There was no material audit deviation adjustment during the reporting period.

**6.4 As compared with the latest annual report, changes in the scope of consolidation in the financial reports during the reporting period are as follows:**

6.4.1 Nanjing Panda Electronics Technology Development Company Limited and Nanjing Longwill Communications Technology Co., Ltd were included in the consolidation scope;

6.4.2 Nanjing Panda Technology Industrial Co., Ltd was no longer included in the consolidation scope.

By Order of the Board
**Nanjing Panda Electronics Company Limited**
**Lai Weide**
*Chairman*

Nanjing, the People's Republic of China
29 March 2012

*As at the date of this announcement, the Board comprises Executive Directors: Mr. Lai Weide and Mr. Xu Guofei; Non-executive Directors: Mr. Zhu Lifeng, Mr. Deng Weiming, Mr. Lu Qing and Mr. Jason Hsuan; and Independent Non-executive Directors: Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent.*