

The logo for PANDA Electronics, featuring the word "PANDA" in a bold, white, sans-serif font inside a blue, rounded rectangular shape with a gradient effect. The background of the entire page is a blue-tinted photograph of a modern electronics manufacturing plant with various machines and workers.

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Electronics

Nanjing Panda Electronics Company Limited

# 2012 Interim Report

(A Share Stock Code: 600775)

(H Share Stock Code: 0553)

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## I. IMPORTANT NOTICE

1. The Board, the supervisory committee, the Directors, supervisors and senior management of the Company confirm that the information in this interim report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the contents.
2. Independent non-executive Director Ms. Liu Danping was unable to attend the Board meeting held on 30 August 2012 due to other business engagements, and had appointed Independent non-executive Director Ms. Zhang Xiuhua to attend and vote on her behalf.
3. The interim financial statements of the Company were unaudited.
4. Mr. Xia Dechuan, the Head of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Wu Yuzhen, the Finance Manager, declared that they confirmed the truthfulness and completeness of the financial reports contained in the 2012 interim report.
5. Neither the Company's controlling shareholder nor any of its related parties has misappropriated the Company's funds for non-operating purposes.
6. The Company did not provide external guarantees in violation of any stipulated decision-making procedures.

## II. BASIC CORPORATE INFORMATION

### (I) Company profile

1. Chinese legal name of the Company : 南京熊猫电子股份有限公司  
Abbreviation of Chinese name of the Company : 南京熊猫  
English legal name of the Company : NANJING PANDA ELECTRONICS COMPANY LIMITED  
Abbreviation of English name of the Company : NPEC
2. Legal Representative of the Company : Xia Dechuan
3. Secretary to the Board : Shen Jianlong  
Securities Affairs Representative : Wang Dongdong  
Correspondence Address : 301 Zhongshan Road East, Nanjing, the PRC  
Telephone : (8625) - 84801144  
Facsimile : (8625) - 84820729  
E-mail address : dms@panda.cn
4. Registered address : Level 1-2, Block 5, North Wing, Nanjing High and New  
Technology Development Zone, Nanjing, the PRC  
Postal code of the registered address : 210032  
Office address : 301 Zhongshan Road East, Nanjing, the PRC  
Postal code of office address : 210002  
International website : <http://www.panda.cn>  
Email : dms@panda.cn
5. Designated newspapers for information disclosure : Shanghai Securities News,  
China Securities Journal  
International websites for the publication of the Company's Interim Report and information disclosure : Shanghai Stock Exchange <http://www.sse.com.cn>  
The Stock Exchange of Hong Kong Limited  
<http://www.hkex.com.hk>  
Place for inspection of the Interim Report of the Company : Office of Secretary to the Board of Directors  
301 Zhongshan Road East, Nanjing, the PRC
6. Place of listing : H shares: The Stock Exchange of Hong Kong Limited  
("Hong Kong Stock Exchange")  
A shares: Shanghai Stock Exchange  
("Shanghai Stock Exchange")  
Stock abbreviation : H shares Nanjing Panda A shares: Nanjing Panda  
Stock code : H shares 0553 A shares: 600775

## (II) Key financial data and indicators

### 1. Prepared in accordance with the PRC Accounting Standards for Business Enterprises (unaudited)

Unit: RMB

	<b>As at the end of the Reporting Period (30 June 2012)</b>	As at the end of the previous year (31 December 2011)	Increase/ decrease (%)
Total assets	<b>2,946,051,522.02</b>	2,713,131,157.98	8.58
Owners' equity (or shareholders' equity)	<b>1,606,459,635.38</b>	1,587,039,946.99	1.22
Net assets per share attributable to shareholders of the Company (RMB/share)	<b>2.45</b>	2.42	1.22

	<b>Reporting Period (January to June 2012)</b>	<b>Corresponding period last year (January to June 2011)</b>		Increase/ decrease (%)
		After adjustment	Before adjustment	
Operating profit	<b>52,416,256.68</b>	42,063,464.20	42,651,108.07	24.61
Total profit	<b>59,323,899.83</b>	48,227,031.85	48,810,433.05	23.01
Net profit attributable to shareholders of the Company	<b>52,170,438.39</b>	34,839,001.78	35,356,541.74	49.75
Net profit attributable to shareholders of the Company after extraordinary items	<b>46,911,864.44</b>	30,279,776.16	30,279,776.16	54.93
Basic earnings per share	<b>0.0796</b>	0.0532	0.0540	49.75
Basic earnings per share after extraordinary items	<b>0.0716</b>	0.0462	0.0462	54.93
Diluted earnings per share	<b>0.0796</b>	0.0532	0.0540	49.75
Weighted average return on net assets (%)	<b>3.25</b>	2.33	2.37	Increased by 0.92 percentage points
Net cash flows from operating activities	<b>-99,535,966.07</b>	-47,805,606.37	-49,679,526.00	N/A
Net cash flows from operating activities per share	<b>-0.15</b>	-0.07	-0.08	N/A

Notes: Items and amounts of extraordinary profit and loss

Unit: RMB

<b>Item</b>	<b>Amount</b>
Gains and losses from disposal of non-current assets	-52,927.37
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 profit and loss for the period	6,402,820.00
Other non-operating net income and expenses other than the aforesaid items	224,273.53
Impact on enterprise income tax	-1,107,948.79
Extraordinary profit and loss attributable to minority shareholders	-207,643.42
Total	<b>5,258,573.95</b>

2. Prepared in accordance with Hong Kong Financial Reporting Standards (unaudited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2012  
(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited and restated)
	RMB'000	RMB'000
<b>Turnover</b>	<b>1,041,745</b>	827,342
Cost of sales	<u>(941,484)</u>	<u>(694,777)</u>
<b>Gross profit</b>	<b>100,261</b>	132,565
Other income and net (losses)/gains	<b>12,645</b>	13,887
Distribution costs	<b>(15,551)</b>	(18,006)
Administrative expenses	<u>(127,898)</u>	<u>(110,813)</u>
<b>Operating (loss)/profit</b>	<b>(30,543)</b>	17,633
Finance costs, net	<b>(11,519)</b>	(10,194)
Share of profits of associates	<u>101,386</u>	<u>40,788</u>
<b>Profit before taxation</b>	<b>59,324</b>	48,227
Income tax expense	<u>(4,557)</u>	<u>(10,252)</u>
<b>Profit and total comprehensive income for the period</b>	<b>54,767</b>	37,975
<b>Attributable to:</b>		
Equity holders of the Company	<b>52,170</b>	34,839
Non-controlling interests	<u>2,597</u>	<u>3,136</u>
	<b>54,767</b>	37,975
<b>Earnings per share (RMB cents)</b>		
— Basic and diluted	<b>7.96</b>	5.32

3. There is no difference between the interim financial reports prepared under the Hong Kong Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises as applicable to net profit and net assets of the Company.

### III. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

#### (I) Changes in shareholdings

As at 30 June 2012, there was no change in the total number of shares or the shareholding structure of the Company.

#### (II) Information of shareholders

The total number of shareholders, the number of shares held by the top ten shareholders and top ten holders of circulating shares of the Company as at 30 June 2012 were as follows:

*Unit: Share*

Total number of shareholders at the end of the Reporting Period: 19,348 shareholders, of which 19,296 were holders of A Shares and 52 were holders of H Shares

#### Shareholdings of the top ten shareholders

Name of shareholders	Type of shareholders (State-owned or foreign shareholder)	Percentage of shareholding (%)	Total number of shares held	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	0	167,350,000
HKSCC (Nominees) Limited	Foreign shareholder	36.75	240,709,599	0	Unknown
Huang Jitang	Others	0.331	2,170,081	0	Unknown
Peng Hongwan	Others	0.177	1,161,026	0	Unknown
Wang Caihong	Others	0.100	655,991	0	Unknown
Zheng Xinhua	Others	0.098	640,000	0	Unknown
Zhang Likun	Others	0.077	506,069	0	Unknown
Yang Chunyan	Others	0.071	466,854	0	Unknown
Rong Tao	Others	0.061	397,600	0	Unknown
Chen Xiaodong	Others	0.060	393,500	0	Unknown

#### Shareholdings 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	240,709,599	H
Huang Jitang	2,170,081	A
Peng Hongwan	1,161,026	A
Wang Caihong	655,991	A
Zheng Xinhua	640,000	A
Zhang Likun	506,069	A
Yang Chunyan	466,854	A
Rong Tao	397,600	A
Chen Xiaodong	393,500	A

Description of the connected relationship or party acting in concert among the 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 240,709,599 H Shares of the Company, 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 issued share capital of the Company.
- (3) None of the shareholders of the Company holds shares subject to trading moratorium.

### (III) Change in the controlling shareholder and the de facto controller

During the Reporting Period, there was no change in the controlling shareholder and the de facto controller of the Company, which were still PEGL and China Huarong Assets Management Company(中國華融資產管理公司) respectively.

Notes:

1. Nanjing Electronics Information Industrial Corporation(南京中電熊猫信息產業集團有限公司) ("NEIC") 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(中國電子信息產業集團有限公司) ("CEC") (of which CEC accounts for 70%, Nanjing SASAC and Guo Xin Group account for 15% each). Pursuant to the agreement, NEIC 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 for 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文》(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 NEIC. The completion of the agreement is still subject to compliance with relevant requirements of CSRC and other 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 Companies", 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. 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 the 21.59% equity interest held by it in PEGL to NEIC at nil consideration, 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 NEIC at nil 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 given its approval to the transfer of 22.07%, 21.59% and 4.32% state-owned equity interests in PEGL held by Nanjing Xingang Development Corporation, Gou Xin Group and Nanjing Municipal State-owned Assets Operation (Holding) Company respectively to NEIC at 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 8 March 2012 and on the websites of the Hong Kong Stock Exchange and the Company on 7 March 2012.)

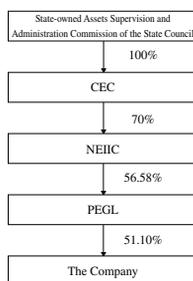
3. The State-owned Assets Supervision and Administration Commission of the State Council issued an approval letter in respect of the change of ultimate controller of the Company as a result of the transfer of equity interest of PEG.L at nil consideration (Guo Zi Chan Quan No. [2012]158). Pursuant to the approval, the ultimate controller of the Company will be changed to CEC upon completion of the transfer of equity interest of PEG.L at 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 11 April 2012 and on the websites of the Hong Kong Stock Exchange and the Company on 10 April 2012.)

4. The completion of the agreement is still subject to satisfaction of the requirements of the CSRC and other relevant regulatory authorities. CEC and its party acting in concert, NEIC, reported to the CSRC the change of ultimate controller of the Company pursuant to the "Administrative Measures for the Takeover of Listed Companies", and submitted an application for a waiver from general offer obligations by way of summary procedures. CSRC accepted the filing by CEC of the report of acquisition of the Company and the administrative permission application materials for the approval of a waiver from general offer obligations (summary procedures), and issued an approval in respect thereof, raising no objection to the report of acquisition of the Company and granting the waiver from general offer obligations arising from obtaining control of the Company due to transfer of state-owned assets. As the proposed transaction resulted in change of ultimate controller of the Company, CEC and its party acting in concert, NEIC, applied to the Securities and Futures Commission of Hong Kong (the "SFC") pursuant to the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), for a waiver from mandatory offer obligation under Note 8 to Rule 26.1(a) of the Takeovers Code in respect of the change of ultimate controller of the Company as a result of the proposed transaction. The SFC gave its reply to the said application for a waiver from the mandatory offer obligation under Rule 26.1(a) of the Takeovers Code, that the chain principle under Note 8 applies, and in the opinion of the SFC, no general offer obligation will be triggered on the part of the applicants and Rule 26.1(a) of the Takeovers Code does not apply to the said acquisition. The Company published the acquisition report (summary) when the CSRC accepted the application for a waiver from general offer obligations and published the acquisition report, the advice from the independent financial adviser and relevant legal opinion on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange when the CSRC issued its approval in respect of the application for a waiver from general offer obligations.

(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 10 May, 12 May, 12 June and 21 July 2012, and on the websites of the Hong Kong Stock Exchange and the Company on 9 May, 11 May, 11 June and 20 July 2012.)

PEG.L, the controlling shareholder of the Company is going through relevant procedures for change of registration with relevant industry and commerce authorities. Upon completion of such procedures, the diagram of shareholding and controlling relationship between the Company and its ultimate controller will be changed to:



#### (IV) Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2012, so far as the Directors, Supervisors and senior management staff of the Company were aware of, long positions in shares or underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and senior management staff of the Company) as recorded in the register kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") of the Hong Kong Stock Exchange, were as follows: (1) PEG.L held 334,715,000 domestic shares, accounting for approximately 81.04% of the domestic shares in issue and approximately 51.10% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) Lewis Joseph held 20,260,000 H Shares, accounting for approximately 8.37% of the H Shares in issue and approximately 3.10% of the total shares in issue. The nature of interests in such shares is personal interest which was held in the capacity of beneficial owner. (3) Tuesday Thirteen Inc. held 16,920,000 H Shares, accounting for approximately 7.00% of the H Shares in issue and approximately 2.59% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation. No short positions were found in any shares held by the above substantial shareholders.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2012.

## IV. PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Shareholdings of Directors, Supervisors and senior management members

During the Reporting Period, there was no change in the shareholdings of Directors, Supervisors and senior management members of the Company and the details of shareholdings were as follows:

Name	Position	No. of shares held at the beginning of the year	No. of shares increased/decreased during the Reporting period (+/-)	No. of shares held at the end of the year	Reason for the change	No. of share options of the Company held	No. of non-tradable shares granted
Lai Weide	Executive Director and Chairman	0		0	—		
Xu Guofei	Executive Director and Vice Chairman	2,546		2,546	—		
Zhu Lifeng	Non-executive Director	4,378		4,378	—		
Deng Weiming	Non-executive Director	0		0	—		
Lu Qing	Non-executive Director	0		0	—		
Jason Hsuan	Non-executive Director	0		0	—		
Zhang Xiuhua	Independent Non-Executive Director	0		0	—		
Liu Danping	Independent Non-Executive Director	0		0	—		
Chu Wai Tsun, Vincent	Independent Non-Executive Director	0		0	—		
Zhang Zhengping	Chairman of the Supervisory Committee	4,648		4,648	—		
Fu Yuanyuan	Supervisor representing employees	0		0	—		
Zhou Yuxin	Supervisor representing employees	0		0	—		
Xia Dechuan	General Manager	0		0	—		
Liu Kun	Deputy General Manager	0		0	—		
Zhou Guixiang	Deputy General Manager	1,639		1,639	—		
Shen Jianlong	Chief Accountant, Secretary to the Board and Company Secretary	0		0	—		
Total		13,211		13,211			

Save as disclosed above, none of the Directors, Supervisors and senior management members of the Company or any of their respective associates has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept under Section 352 of Part XV of the SFO or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

None of the Directors, Supervisors, and senior management members of the Company or any of their respective associates was granted or exercised any rights to subscribe for any shares or debt securities of the Company during the Reporting Period.

## (II) New appointment or dismissal of Directors, Supervisors and senior management during the Reporting Period

1. Mr. Lai Weide, Mr. Xu Guofei, Mr. Zhu Lifeng, Mr. Deng Weiming, Mr. Lu Qing, Mr. Hsuan Jason, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent were nominated as candidates for members of the seventh session of the Board at the 22nd meeting of the sixth session of the Board held on 16 January 2012 and were successfully elected to the Board at the 2012 first extraordinary general meeting of the Company held on 6 March 2012. Their term of offices is three years.

2. At the 18th meeting of the sixth session of the supervisory committee of the Company held on 16 January 2012, Ms. Zhang Zhengping was nominated as a candidate for members of the seventh session of the supervisory committee and Ms. Fu Yuanyuan and Mr. Zhou Yuxin were determined as supervisors representing employees of the seventh session of the supervisory committee of the Company. Ms. Zhang Zhengping was elected as a supervisor at the 2012 first extraordinary general meeting of the Company held on 6 March 2012. Her term of office is three years.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 18 January 2012 and 7 March 2012 and on the websites of Hong Kong Stock Exchange and the Company on 17 January 2012 and 6 March 2012.)

3. At the first meeting of the seventh session of the Board held on 6 March 2012, Mr. Lai Weide and Mr. Xu Guofei were elected as the Chairman and Vice-Chairman of the Board respectively.

Mr. Lai Weide, Mr. Xu Guofei, Mr. Zhu Lifeng, Mr. Deng Weiming and Mr. Chu Wai Tsun, Vincent were elected as members of the strategy committee of the Company, with Mr. Lai Weide as the chairman.

Mr. Deng Weiming, Mr. Lu Qing, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent were elected as the members of the audit committee of the Company, with Ms. Zhang Xiuhua as the chairman.

Mr. Lai Weide, Mr. Xu Guofei, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent as members of the nomination committee of the Company, with Ms. Liu Danping as the chairman.

Mr. Zhu Lifeng, Mr. Lu Qing, Ms. Zhang Xiuhua, Ms. Liu Danping and Mr. Chu Wai Tsun, Vincent as members of the remuneration and evaluation committee of the Company, with Mr. Chu Wai Tsun, Vincent as the chairman.

4. At the first meeting of the seventh session of the supervisory committee of the Company held on 6 March 2012, Ms. Zhang Zhengping was elected as the chairman of the supervisory committee of the Company.

5. At the first meeting of the seventh session of the Board held on 6 March 2012, Mr. Xia Dechuan was elected as the General Manager of the Company, Mr. Liu Kun and Mr. Zhou Guixiang as Deputy General Managers of the Company, and Mr. Shen Jianlong as the Chief Accountant and Secretary to the Board of the Company, all with a term of three years.

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

6. Mr. Tang Yousong, Mr. Ma Chung Lai, Lawrence retired as independent non-executive Directors of the Company upon expiration of their terms.

7. Ms. Sun Suhua and Mr. Wang Fei retired as independent supervisors of the Company upon expiration of their terms. Ms. Tang Min retired as supervisor representing employees of the Company due to age.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 18 January 2012 and on the websites of Hong Kong Stock Exchange and the Company on 17 January 2012.)

## V. REPORT OF THE BOARD OF DIRECTORS

### (I) Discussion and Analysis on the Operations of the Company during the Reporting Period

#### 1. Principal operations of the Company

In the first half of 2011, the Company carried out business structure adjustment by concentrating on electronic equipment and electronic manufacturing, and initially formed an electronic equipment business segment mainly including industrial automation equipment and traffic electronic equipment, thereby giving full play to the advantages of electronics manufacturing in the area of hardware device, on-site management, processing scale and manufacturing techniques. As a result, the Company saw improvement in sales volume and the profitability of its principal operations. Meanwhile, the Company continued to strengthen its control over and services to its joint ventures, thereby achieving considerable increase in investment income.

Under the PRC Accounting Standards for Business Enterprises, operating income of the Company from January to June 2012 amounted to RMB1,056 million, representing an increase of 25.25% as compared with the corresponding period last year; and net profit was RMB52,170,400, representing an increase of 49.75% as compared with the corresponding period last year. Under the Hong Kong Financial Reporting Standards, operating income of the Company from January to June 2012 amounted to RMB1,042 million, representing an increase of 26.00% as compared with the corresponding period last year; net profit attributable to shareholders of the Company amounted to RMB52,170,400, representing an increase of 49.75% as compared with the corresponding period last year.

### (II) Principal Operations and the Operating Status of the Company

#### 1. Principal operating results and segmental information classified by businesses or products (prepared under the PRC Accounting Standards for Business Enterprises) (unaudited)

Unit: RMB

Business or product	Principal operating income	Principal operating costs	Principal operating profit margin %	Increase/decrease in revenues 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 manufacturing products	309,395,193.33	275,685,514.93	10.90	2.18	17.97	Decreased by 11.92 percentage points
Electronic intelligent products	247,252,195.97	209,154,799.28	15.41	13.17	13.21	Decreased by 0.03 percentage points
Electronic equipment products	211,242,003.12	183,383,395.17	13.19	6.11	6.80	Decreased by 0.56 percentage points
Communication technology products	241,514,594.94	234,433,632.40	2.93	202.06	204.30	Decreased by 0.72 percentage points
Others	29,761,361.02	24,316,683.00	18.29	19.47	65.21	Decreased by 22.63 percentage points
<b>Total</b>	<b>1,039,165,348.38</b>	<b>926,974,024.78</b>	<b>10.80</b>	<b>25.93</b>	<b>35.94</b>	<b>Decreased by 6.56 percentage points</b>

Of which, the connected transactions relating to sale of products and provision of services to the controlling shareholder and its subsidiaries by the Company amounted to RMB70,876,600 during the Reporting Period.

## 2. Principal operations by geographical regions

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

## 3. Operation of the principal companies in which the Company has equity participation

### (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 Potevio Co., Ltd., and 2% by Hong Kong Yung Shing Enterprise Company ("Hong Kong Yung Shing"). 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 one of the largest suppliers of mobile telecommunication equipments in China. Under the International Accounting Standards, ENC recorded operating income of RMB5,669 million from January to June 2012, representing a decrease of 46.76% as compared with the corresponding period last year, and recorded net profit of RMB188 million, representing a decrease of 43.71% as compared with the corresponding period last year. Investment income contributed by ENC amounted to RMB50,863,400, accounting for 97.49% of the Company's net profit.

### (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 ("Sony Ericsson"), 27% by China Potevio Co., Ltd. and 2% by Hong Kong Yung Shing. 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. Under the International Accounting Standards, BMC recorded operating income of RMB13,410 million from January to June 2012, representing an increase of 61.24% as compared with the corresponding period last year, and recorded net profit of RMB206 million, representing an increase of 186.11% as compared with the corresponding period last year. Investment income contributed by BMC amounted to RMB41,166,200, accounting for 78.91% of the Company's net profit.

### (3) Hua Fei Colour Display Systems Company Limited ("Hua Fei Company")

Hua Fei Company is held as to 25% by the Company, 20% by Nanjing Hua Dong Electronics Group 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 sale 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 Company (please refer to the announcements published by the Company on the websites of the Hong Kong Stock Exchange and the Company on 21 September 2011 and in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 22 September 2011 for details). As at 31 December 2011, the balance of the Company's long-term equity investment in Hua Fei Company was nil.

## (III) Investments during the Reporting Period

The Company did not utilize any raised funds in the Reporting Period or continue any use thereof commencing from the previous periods, nor did it make any material investment financed by non-raised funds.

(IV) Summary of analysis of operating results and financial position

1. Analysis of reasons for movements of principal financial indicators (prepared under the PRC Accounting Standards for Business Enterprises, unaudited)

Unit: RMB

1.1 Major changes of accounts in balance sheet:

Item	30 June 2012	31 December 2011	Increase/ decrease (%)
Prepayments	<b>136,511,879.45</b>	91,165,039.41	49.74
Construction in progress	<b>32,632,625.63</b>	306,362.89	10,551.62
Deferred income tax assets	<b>8,453,360.52</b>	5,991,302.88	41.09
Short-term loans	<b>507,000,000.00</b>	358,307,585.20	41.50
Taxes payable	<b>4,114,564.77</b>	-12,370,970.32	133.26
Dividend payable	<b>16,735,750.00</b>	143,289.96	11,579.64
Non-current liabilities due within one year	<b>0.00</b>	4,000,000.00	-100.00

Explanation of the changes:

- (1) The increase in prepayments was mainly due to the increase in advance payments for purchase of raw materials.
- (2) The increase in construction in progress was primarily due to increase in investment in the ongoing construction of Xin Gang Park (新港園區).
- (3) The increase in deferred income tax assets was mainly due to the increase in deductible temporary differences for the period.
- (4) The increase in short-term loans was mainly due to the increase in the working capital required as a result of larger operation scale for the period.
- (5) The increase in taxes payable was primarily attributable to the export tax refund received during the period.
- (6) The increase in dividend payable was mainly due to the unpaid dividend payable to PEGL for 2011.
- (7) The decrease in non-current liabilities due within one year was mainly attributable to payments upon maturity.

1.2 Major changes of accounts in income statement:

Item	January- June 2012	January- June 2011	Increase/ decrease (%)
Operating cost	<b>937,450,140.68</b>	693,266,098.77	35.22
Asset impairment losses	<b>3,198,622.65</b>	-3,498,553.96	191.43
Investment income	<b>101,385,914.10</b>	40,787,310.76	148.57
Non-operating expenses	<b>336,549.46</b>	518,235.37	-35.06
Income tax expenses	<b>4,556,501.68</b>	10,252,137.49	-55.56

Explanation of the changes:

- (1) The increase in operating cost was primarily due to the substantial rise in sales of principal products in the period.
- (2) The increase in asset impairment losses was mainly attributable to the increase in the provision for inventory impairment made in the period.
- (3) The increase in investment income was mainly due to the full recognition of equity interest in Hua Fei Company by the Company as investment loss in 2011.
- (4) The decrease in non-operating expenses was mainly due to the lower loss on disposal of old mechanical equipment by the Company as compared with the previous period.
- (5) The decrease in income tax expenses was mainly because certain subsidiaries were certified as high-tech enterprises.

1.3 Major changes of accounts in cash flow statement:

Item	January- June 2012	January- June 2011	Increase/ decrease (%)
Net cash flows from operating activities	<b>-99,535,966.07</b>	-47,805,606.37	-108.21
Net cash flows from investment activities	<b>-30,395,489.25</b>	139,990,316.08	-121.71
Net cash flows from financing activities	<b>115,579,999.59</b>	-109,546,462.18	205.51

Explanation of the changes:

- (1) The decrease in net cash flows from operating activities was mainly due to increased procurement of materials in the period.
- (2) The decrease in net cash flows from investment activities was mainly due to the completion of incorporation registration of Nanjing Panda Electronics Technology Development Co., Ltd. (南京熊猫电子科技发展有限公司) which was then included into the scope of consolidation in the previous period.
- (3) The increase in net cash flows from financing activities was mainly due to the increase in the size of financing in the period.

## 2. Liquidity of capital

As shown in the consolidated financial statements of the Company prepared under the Hong Kong Financial Reporting Standards, as at 30 June 2012, the Company's gearing ratio (the ratio of total liabilities to total assets) was 45.20%; net current assets amounted to RMB165 million; liquidity ratio was 1.12; quick ratio was 0.99; bank deposits and cash amounted to RMB410 million; and total borrowings amounted to RMB559 million.

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 the date of this report, respectively.

**(V) Business plan for the second half year of 2012**

In the second half of the year, the Company will steadily push forward the adjustment to business structure, corporate structure, assets structure and personnel structure, proceed with the reorganization and integration of the specialized subsidiaries of the Company, so as to rationalize equity relationship, optimize business layout, consolidate the business segment centering on electronic equipment and electronic manufacturing and expand the consumer electronics business. The Company will step up efforts in R&D to enhance its capabilities for independent innovation, promote the commercialization of scientific and technological achievements, as well as to increase sales volume and market share by leveraging comprehensive advantages and seizing opportunities in domestic and overseas markets. In addition, the Company will recruit and cultivate high-level technical and marketing professionals and establish a scientific workforce echelon so as to form stable workforce pillars and strengthen the low-level technician team. Meanwhile, the Company will vigorously revitalize unproductive assets to optimize the assets structure and improve asset management. It will closely follow the business concept of "legal compliance, professionalism and high efficiency" and keep improving its corporate governance through strengthening management systems.

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 market risk arising from competition.

The Company will continue to increase research investment to enhance independent innovation capability and improve the technical added value of products to raise the competitiveness of its products. By keeping a close eye on market demand, the Company will expand consumer electronics business and develop and produce consumer electronics products that meet market demand and consumers' need. The Company will exploit its advantages as a state-owned enterprise to expand presence in both domestic and overseas markets, work hard on "internal" major and key projects, seize opportunities coming from national major and key projects and strive for breakthroughs in building and extending its presence in the consumer goods market.

**(VI) Formulation and Implementation of Cash Dividend Distribution Policy during the Reporting Period**

In order to further improve and perfect the dividend distribution decision-making and supervisory mechanism of the Company, maintain the continuity and stability of profit distribution policy, proactively reward investors, and guide investors to set up the philosophy of long-term investment and reasonable investment, pursuant to the requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" by the China Securities Regulatory Commission, the board of directors of the Company amended relevant articles on profit distribution in the Articles of Association and formulated the cash dividend distribution policy that is in compliance with the Articles of Association and the resolutions of the general meeting. The definite and clear distribution standards and qualifications, all-round decision-making process and mechanism and the due diligence of independent directors provide minority shareholders with opportunities to fully express opinions and appeals, thus fully safeguarding minority shareholders' legitimate rights and interests. The Company will recently convene a general meeting to consider the amendments to the Articles of Association.

(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 25 August 2012, and on the websites of the Hong Kong Stock Exchange and the Company on 24 August 2012.)

**(VII) Employees of the Company**

As at 30 June 2012, the Company had 3,301 employees, of which 1,111 were engaged in technology, 362 in sales, 158 in finance, 273 in administration and management and 1,397 in production, and there were 407 retirees, for whom the Company undertook to pay retirement pension.

## VI. SIGNIFICANT EVENTS

### (I) Corporate governance

During the Reporting Period, the Company has complied with the relevant laws and regulations including the Company Law and the Securities Law. In accordance with the rules governing corporate governance and proper operation issued by the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission and the requirements of the listing rules of Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company continued to supplement and amend its relevant systems, improve its corporate governance structure and internal rules and systems and press ahead with the Basic Standards for Enterprise Internal Control with reference to its actual conditions, so as to enhance internal control and management and standardize the operation of the Company. During the Reporting Period, the Company adopted and strived to comply with the provisions under the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Details of the work done by of the Company during the Reporting Period are as follows:

1. As a company listed both in China and Hong Kong (A shares and H shares), the Company implemented the Basic Standards for Enterprise Internal Control in 2011. During the Reporting Period, the Company steadily pressed ahead with the self-assessment and audit on internal control, strengthened daily and special supervision and integrated internal control and management in daily work on the basis of internal control construction and defects rectification. Internal control is monitored by the audit department of the Company regularly or from time to time. The Audit Committee, Supervisory Committee and independent Directors of the Company review the implementation of internal control regularly. The Company considered and passed the "Self-assessment Report on the Internal Control of the Company" and the "Report on Performance of Social Responsibilities of the Company" for 2011 and the Audit Report on Internal Control of Financial Report issued by the certified public accountant at the 2nd meeting of the seventh Board of the Company held on 29 March 2012. 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. The Company submitted the report on Progress in Internal Control Implementation in 2012 by Nanjing Panda Electronics Company Limited to Jiangsu Securities Regulatory Bureau on 10 July 2012.
2. In order to further improve and perfect the dividend distribution decision-making and supervisory mechanism of the Company, maintain the continuity and stability of profit distribution policy, proactively reward investors, and guide investors to set up the philosophy of long-term investment and reasonable investment, pursuant to the requirements of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" by the China Securities Regulatory Commission, it was considered and approved at the Board meeting convened on 24 August 2012 to amend relevant articles on profit distribution in the Articles of Association and formulate the cash dividend distribution policy that is in compliance with the Articles of Association and the resolutions of the general meeting. The definite and clear distribution standards and qualification, all-round decision-making process and mechanism and the due diligence of independent directors provide minority shareholders with opportunities to fully express opinions and appeals, thus fully safeguarding minority shareholders' legitimate rights and interests. The Company will recently convene a general meeting to consider the amendments to the Articles of Association.
3. In order to implement insider information management and insider dealing prevention and control, the Company formulated and implemented the Administration System for Persons with Insider Information and Internal Reporting System of Material Information, and promptly conveyed the Opinions on Strengthening the Implementation of Insider Information Management for State-owned and Controlled Listed Companies (Su Guo Zi [2012] No. 54) jointly issued by Jiangsu SASAC and Jiangsu Securities Regulatory Bureau to the controlling shareholders and the de facto controllers.
4. In accordance with the amendments to relevant trading rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the actual operation needs of the Company, the Company considered and passed the Rules of Procedures of the Nomination Committee, Rules of Procedures of the Audit Committee, Internal Reporting System of Material Information, Rules of Procedures of the Company's Working Meeting, Material Decision-making Methods and Accounting System at the 2nd meeting of the seventh Board of the Company held on 29 March 2012.
5. The Report on Performance of Social Responsibilities of the Company for year 2011 was considered and approved by the Board and the supervisory committee at the Board meeting convened on 29 March 2012 and was disclosed together with the 2011 Annual Report.

6. On 31 May 2012, Ms. Zhang Xiuhua and Ms. Liu Danping, independent non-executive directors of the Company, accompanied by Mr. Zhou Guixiang, deputy general manager of the Company, and Mr. Shen Jianlong, chief accountant and secretary to the Board of the Company, made an on-site inspection of the Company. The independent non-executive directors inspected the headquarters of the Company, made enquiries about the implementation of the basic standards for corporate internal control in details and considered that the Company's internal control was meticulous and serious. They requested the Company to continuously conduct internal control as a regular work and hoped that internal control assessment could be in combination of daily supervision and special supervision to practically promote the Company's management and control level. The independent non-executive directors visited the industrial base of electronics manufacturing in Xingang Development Area, inspected the SMT production line, injection production line, complete machine assembly line and office area, listened to the introduction by relevant persons in charge and considered that the industrial base of electronics manufacturing was in orderly management, normal production and favourable operation status, and had advanced product technologies. They hoped that the management could proactively cope with the impact of stagnant peripheral economies, minimize adverse effects and closely center on rejuvenation of the Company with science and technology, thus to further make the principal business larger and stronger.

**(II) The profit distribution plan and implementation thereof during the Reporting Period**

At the second meeting of the seventh board of directors of the Company and the 2011 annual general meeting, the Company's profit distribution plan for 2011 was considered and approved. A cash dividend of RMB0.5 (tax inclusive) for every 10 shares, based on the Company's total share capital of 655,015,000 shares as at 31 December 2011, shall be paid to all shareholders of the Company, amounting to a total distribution of cash dividend of RMB32,750,750. The implementation of the profit distribution plan was fully completed.

(For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 19 May, 12 June and 13 June 2012, respectively.)

The Company will not make any profit distribution or to convert any capital reserve into share capital for the first half of 2012.

- (III) During the Reporting Period, the Company was not involved in any material litigation or arbitration which occurred during the Reporting Period or which had occurred in the previous periods but persisted to the Reporting Period.**
- (IV) During the Reporting Period, the Company was not involved in any matters regarding bankruptcy and restructuring.**
- (V) During the Reporting Period, the Company did not hold shares or securities issued by other listed companies, nor did it acquire equities of unlisted financial enterprises.**
- (VI) There was no material acquisition, disposal of assets or asset reorganization of the Company which occurred during the Reporting Period or which had occurred in the previous periods but subsisted to the Reporting Period.**

## (VII) Material connected transactions

During the Reporting Period, save and except for the continuing connected transactions for the period from 2010 to 2012 as approved by the independent shareholders at the extraordinary general meeting of the Company held on 23 December 2009 and the revised continuing connected transactions for the period from 2010 to 2012 as approved by the independent shareholders at the 2011 second extraordinary general meeting of the Company (i.e., the continuing connected transactions which are carried out in the ordinary course of business on normal commercial terms), the Company had no other material connected transactions or asset reorganizations. The continuing connected transactions of the Company are carried out in the ordinary course of business on normal commercial terms and are necessary for normal business activities. All such continuing connected transactions have been confirmed by independent non-executive Directors and have not exceeded their respective annual caps.

### 1. Connected transactions relating to day-to-day operation

Unit: RMB'000

Connected parties	Relationship with the Company	Type of transactions	Contents of connected transactions	Pricing principle of connected transactions	Amount of connected transactions	Percentage in similar transactions (%)	Settlement method of connected transactions
Nanjing Panda Electronics Import & Export (Hong Kong) Co., Ltd.	Subsidiary of the Group	Sale of products	Electronic products	Market price	2,135.33	2.4	Cash and cash equivalents
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Subsidiary of the Group	Sale of products	Electronic products	Market price	1,872.48	2.11	Cash and cash equivalents
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary of the Group	Sale of products	Electronic products	Market price	1,038.98	1.17	Cash and cash equivalents
Nanjing Panda Electronics Import & Export Co., Ltd.	Subsidiary of the Group	Sale of products	Electronic products	Market price	755.11	0.85	Cash and cash equivalents
Nanjing Thales Panda Transportation System Company Limited	Associated enterprise of a subsidiary	Sale of products	Electronic products	Market price	299.19	0.34	Cash and cash equivalents
Nanjing Ericsson Panda Communication Co., Ltd.	Associated company	Sale of products	Electronic products	Market price	283.36	0.32	Cash and cash equivalents
Nanjing Panda Piezoelectric Technology Co., Ltd. (南京熊猫盛电子技术有限公司)	Subsidiary of the Group	Sale of products	Electronic products	Market price	2.59		Cash and cash equivalents
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	Sale of products	Electronic products	Market price	1.51		Cash and cash equivalents
Nanjing Huaxian High Technology Company Limited	Associated company	Sale of products	Electronic products	Market price	0.24		Cash and cash equivalents
Nanjing Ericsson Panda Communication Company Limited	Associated company	Provision of services	Provision of services	Market price	1,776.60	11.06	Cash and cash equivalents
Nanjing Panda Handa Technology Co., Ltd.	Subsidiary of the Group	Provision of services	Provision of services	Market price	1,193.13	7.43	Cash and cash equivalents
Panda Electronics Group Limited	Parent Company	Provision of services	Provision of services	Market price	50.00	0.31	Cash and cash equivalents
Panda Electronics Material Usage Co., Ltd.	Subsidiary of the Group	Provision of services	Provision of services	Market price	18.80	0.12	Cash and cash equivalents
Nanjing 21 <sup>st</sup> Century Electronic and Technology Square Company Limited	Subsidiary of the Group	Provision of services	Provision of services	Market price	8.25	0.05	Cash and cash equivalents
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Subsidiary of the Group	Provision of services	Provision of services	Market price	6.88	0.04	Cash and cash equivalents
Nanjing Panda Electronics Import & Export Co., Ltd.	Subsidiary of the Group	Provision of services	Provision of services	Market price	3.38	0.02	Cash and cash equivalents
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	Provision of services	Provision of services	Market price	1.21	0.01	Cash and cash equivalents
Nanjing Huaxian High Technology Company Limited	Associated company	Provision of services	Provision of services	Market price	0.55		Cash and cash equivalents
Nanjing Panda Electronics Import & Export Co., Ltd.	Subsidiary of the Group	Purchase of goods	Electronic products	Market price	1,173.47	1.51	Cash and cash equivalents

Connected parties	Relationship with the Company	Type of transactions	Contents of connected transactions	Pricing principle of connected transactions	Amount of connected transactions	Percentage in similar transactions (%)	Settlement method of connected transactions
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Subsidiary of the Group	Purchase of goods	Electronic products	Market price	498.17	0.64	Cash and cash equivalents
Nanjing Zhen Hua Packing Material Plant	Subsidiary of the Group	Purchase of goods	Packaging material	Market price	139.02	0.18	Cash and cash equivalents
Nanjing Huaxian High Technology Company Limited	Associated company	Purchase of goods	Electronic products	Market price	67.95	0.09	Cash and cash equivalents
Nanjing Thales Panda Transportation System Company Limited	Associated enterprise of a subsidiary	Purchase of goods	Electronic products	Market price	42.74	0.06	Cash and cash equivalents
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	Receipt of services	Receipt of services	Market price	102.72	1.48	Cash and cash equivalents
Panda Electronics Group Limited	Parent Company	Receipt of services	Receipt of services	Market price	56.15	0.81	Cash and cash equivalents
Nanjing Electronic Calibration Co., Ltd.	Subsidiary of the Group	Receipt of services	Receipt of services	Market price	8.88	0.13	Cash and cash equivalents
Nanjing Panda Electronics Technology Development Company Limited	Subsidiary of the Group	Receipt of services	Receipt of services	Market price	8.70	0.13	Cash and cash equivalents
Nanjing Panda Panda Technology Co., Ltd.	Subsidiary of the Group	Lease of assets	Building lease	Market price	299.90	17.72	Cash and cash equivalents
Nanjing Panda Electronics Transportation Company	Subsidiary of the Group	Lease of assets	Equipment lease	Market price	113.22	6.69	Cash and cash equivalents
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Subsidiary of the Group	Lease of assets	Building lease	Market price	11.20	0.66	Cash and cash equivalents
Nanjing Panda Electronics Import & Export Co., Ltd.	Subsidiary of the Group	Lease of assets	Building lease	Market price	5.52	0.33	Cash and cash equivalents
Total					<u>11,975.23</u>		

## 2. Transactions relating to creditor's rights and debts

Unit: RMB'000

Related parties	Provision of funds to related parties		Provision of funds to the Company by related parties	
	Amount of transaction	Balance	Amount of transaction	Balance
Panda Electronics Group Limited				513.12
Nanjing Electronics (Kunshan) Co., Ltd.		279.94		30.00
Intenna (Nanjing) Company Limited				215.51
Nanjing Panda Electronics Transportation Company			1.23	2.69
Nanjing Panda Electronics Technology Development Company Limited				8.40
Nanjing Panda Garden Property Management Centre			0.06	5.24
Panda (Beijing) International Information Technology Co., Ltd.				4.56
Nanjing Panda Piezoelectric Technology Co., Ltd.				0.02
Total	<u>0.00</u>	<u>279.94</u>	<u>1.29</u>	<u>779.54</u>

Of which, during the Reporting Period, the appropriated capital provided by the Company to the controlling shareholder and its subsidiaries was RMB nil and the balance was RMB nil. (Please see "Relationship and transactions with related parties" in the Notes to the Financial Statements for details.)

**(VIII) Material contracts**

1. During the Reporting Period, the Company did not hold any material trust, contract and lease of assets of other companies nor did other companies hold any material trust, contract and lease of assets of the Company.
2. Material guarantees

During the Reporting Period, the amount guaranteed by the Company for its controlled subsidiaries amounted to RMB88,058,400 in total and the balance amounted to RMB141,399,100, the details of which are as follows:

As at 30 June 2012, the Company provided guarantees to its controlled subsidiaries to secure the following: bank loan of RMB5 million of Nanjing Panda Mechanical Manufacturing Co. Ltd. bank loan of RMB25 million, bank acceptance bills of RMB11,437,600 and performance guarantee of RMB51,537,500 of Nanjing Panda Information Industry Co., Ltd.; bank loan of RMB30 million of Nanjing Huage Appliance and Plastic Industrial Co., Ltd.; and bank loan of RMB17 million and bank acceptance bills of RMB1,424,000 of Nanjing Panda Electronics Equipment Co., Ltd.

The said guarantees were granted to controlled subsidiaries of the Company, totalling RMB141,399,100, and representing 8.80% of the Company's net assets. Of the aforesaid subsidiaries, the gearing ratio of Nanjing Panda Information Industry Co., Ltd. was 71.97%, while that of the other companies did not exceed 70%.

The independent directors of the Company have expressed their independent opinion on the above guarantees as follows: all the above mentioned guarantees had been considered and approved by the Board and approved by shareholders in general meeting, and relevant procedures were in compliance with applicable rules. The Company and its controlled subsidiaries did not provide any guarantee to any independent third parties other than its controlled subsidiaries, nor its controlling shareholder, de facto controller or their connected parties. We've required the Company to carefully study the external guarantee requirements of the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange to ensure that the procedures of external guarantees stay in compliance with applicable rules and that sufficient information and risk disclosures are made.

3. The Company had no entrusted custody of funds or entrusted loans during the Reporting Period or during the previous period and subsisting to the Reporting Period.

**(IX) Neither the Company nor any shareholder with over 5% shareholding in the Company had any commitment which occurred during the Reporting Period or occurred in previous periods but persisted to the Reporting Period that might have material impact on the operating results and financial position of the Company, nor did they make any additional commitment to trading moratorium of shares.**

**(X) As considered and approved at the 2011 annual general meeting of the Company held on 31 May 2012, Baker Tilly Hong Kong Limited was reappointed as the Company's international auditors and Baker Tilly China as the Company's PRC and internal control auditors for 2012; and the total remuneration for such auditors shall be determined within the limit of RMB1.7 million.**

(For details, please refer to the relevant announcements published in Shanghai Securities News and China Securities Journal and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 31 May and 1 June 2012.)

**(XI) The Company, the Board and its Directors didn't suffer any administrative penalty or public criticism by the China Securities Regulatory Commission or stock exchanges during the Reporting Period.**

- (XII) **The audit committee and the senior management of the Company have reviewed the accounting principles and accounting standards and methods adopted by the Company, and studied the matters relating to internal control. During the Reporting Period, the audit committee conducted various communications and coordination with the Company's certified public accountants for annual auditing in accordance with the "Work Scopes and Procedures of the Audit Committee for Preparation of the Annual Report" and advised and recommended on significant audit issues that worth attention. The 2011 annual report was well prepared and audited, and the financial position and operating results of the Company in 2011 were reflected in an objective and fair manner.**

The audit committee convened a meeting on 29 March 2012. All members of the audit committee attended the meeting to review the Company's 2011 financial report and the summary report on the 2011 annual audit by the accounting firms and agreed to submit such reports to the Board for review. The re-appointment of Baker Tilly Hong Kong Limited as the Company's international auditors and Baker Tilly China as the Company's domestic and internal control auditors for 2012 respectively was agreed at the meeting and relevant proposal was submitted to the Board for review.

Having reviewed the unaudited financial report of the Company for the six months ended 30 June 2012, the audit committee is of the opinion that the financial report complies with the applicable accounting standards and laws and that adequate disclosure has been made.

(XIV) **Other matters**

**1. 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 and new technology enterprise (certificate no. GF2011132000407, which is valid for 3 years). The Company is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations.

**2. Purchase, sale or redemption of the Company's listed shares**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

**3. Pre-emptive rights**

There is no provision for pre-emptive rights under the laws of the PRC and the articles of association of the Company.

**4. Compliance with Corporate Governance Code**

During the Reporting Period, the Company adopted and strived to comply with the Code of Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules.

**5. 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 of the Listing Rules in respect of securities transactions by the Directors.**

Having made specific enquiry to all directors of the Company, all Directors have expressed that they have complied with the Model Code.

6. Reference is made to the relevant announcement of the Company published 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 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, on 13 June 2012, 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%.

7. Reference is made to the relevant announcement of the Company published on 19 January 2012 in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange, 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 did not have any impact on the non-recurring profit and loss of the Company.
8. Reference is made to the relevant announcement of the Company published on 30 March 2012 in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange, 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.

#### (XIV) Index to information disclosure

Subject matter	Newspapers and pages for publication	Date of publication	Websites for publication and search paths
Announcement of resolutions passed at the 22 <sup>nd</sup> meeting of the sixth board of directors	China Securities Journal A26 Shanghai Securities News B70	2012-1-18	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
Announcement of resolutions passed at the 18th meeting of the sixth supervisory committee			Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of Resolutions Passed at the Extraordinary Board Meeting	China Securities Journal B079 Shanghai Securities News A7	2012-1-19	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
Notice of the First Extraordinary General Meeting in 2012	China Securities Journal B079		Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of Estimated Annual Results for 2011	Shanghai Securities News A7		
Announcement in relation to Entering into a Relocation Agreement			
Announcement in relation to the provision of guarantees to the controlled subsidiaries of the Company	China Securities Journal A37 Shanghai Securities News B1	2012-2-10	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of Resolutions Passed at the First Extraordinary General Meeting in 2012	China Securities Journal B021 Shanghai Securities News B35	2012-3-7	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
Announcement of resolutions passed at the 1st meeting of the seventh board of directors			Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of resolutions passed at the 1st meeting of the seventh supervisory committee			
Interim announcement	China Securities Journal B003 Shanghai Securities News B35	2012-3-8	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

<b>Subject matter</b>	<b>Newspapers and pages for publication</b>	<b>Date of publication</b>	<b>Websites for publication and search paths</b>
Announcement of resolutions passed at the 2 <sup>nd</sup> meeting of the seventh board of directors Announcement of resolutions passed at the 2 <sup>nd</sup> meeting of the seventh supervisory committee	China Securities Journal B235 Shanghai Securities News B46	2012-3-30	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Interim announcement	China Securities Journal B002 Shanghai Securities News B50	2012-4-11	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement in relation to the provision of guarantees to the controlled subsidiaries of the Company	China Securities Journal A39 Shanghai Securities News B55	2012-4-13	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Notice of 2011 Annual General Meeting	China Securities Journal B026 Shanghai Securities News 35	2012-4-14	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Interim announcement	China Securities Journal B014 Shanghai Securities News B35	2012-5-10	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Acquisition Report of Nanjing Panda (Summary)	China Securities Journal A07 Shanghai Securities News 31	2012-5-12	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of resolutions passed at the 2011 annual general meeting	China Securities Journal B003 Shanghai Securities News B32	2012-6-1	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement of payment of final dividend for 2011 Interim announcement	China Securities Journal A03 Shanghai Securities News B6	2012-6-12	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Interim announcement	China Securities Journal A47 Shanghai Securities News B41	2012-6-27	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement in relation to the provision of guarantees to the controlled subsidiaries of the Company	China Securities Journal B029 Shanghai Securities News B36	2012-6-28	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Interim announcement	China Securities Journal B006 Shanghai Securities News 15	2012-7-21	Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> Hong Kong Stock Exchange: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

## VII. INTERIM FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS) (UNAUDITED)

### Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2012

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012 (unaudited) RMB'000	2011 (unaudited and restated) RMB'000
<b>Turnover</b>	4	<b>1,041,745</b>	827,342
Cost of sales		<b>(941,484)</b>	(694,777)
<b>Gross profit</b>		<b>100,261</b>	132,565
Other income and net (losses)/gains	5	<b>12,645</b>	13,887
Distribution costs		<b>(15,551)</b>	(18,006)
Administrative expenses		<b>(127,898)</b>	(110,813)
<b>Operating (loss)/profit</b>		<b>(30,543)</b>	17,633
Finance costs, net		<b>(11,519)</b>	(10,194)
Share of profits of associates		<b>101,386</b>	40,788
<b>Profit before taxation</b>	6	<b>59,324</b>	48,227
Income tax expense	7	<b>(4,557)</b>	(10,252)
<b>Profit and total comprehensive income for the period</b>		<b>54,767</b>	37,975
<b>Attributable to:</b>			
Equity holders of the Company		<b>52,170</b>	34,839
Non-controlling interests		<b>2,597</b>	3,136
		<b>54,767</b>	37,975
<b>Earnings per share (RMB cents)</b>			
— Basic and diluted	8	<b>7.96</b>	5.32

**Condensed consolidated balance sheet**

As at 30 June 2012

(Expressed in Renminbi)

		<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>22,355</b>	22,696
Property, plant and equipment	10	<b>633,751</b>	621,042
Associates		<b>781,897</b>	683,793
Available-for-sale equity securities		<b>3,650</b>	3,650
Deferred tax assets		<b>8,453</b>	5,991
		<b>1,450,106</b>	1,337,172
<b>Current assets</b>			
Inventories		<b>194,150</b>	196,693
Trade and bills receivables	11	<b>646,447</b>	564,646
Amounts due from customers for contract work		<b>80,452</b>	56,900
Deposits, prepayments and other receivables		<b>164,830</b>	110,832
Restricted bank deposits	12	<b>80,555</b>	103,105
Cash and cash equivalents		<b>329,511</b>	343,783
		<b>1,495,945</b>	1,375,959
<b>Total assets</b>		<b>2,946,051</b>	2,713,131
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		<b>655,015</b>	655,015
Share premium and reserves		<b>951,444</b>	932,025
		<b>1,606,459</b>	1,587,040
<b>Non-controlling interests</b>		<b>8,659</b>	8,402
<b>Total equity</b>		<b>1,615,118</b>	1,595,442

**Condensed consolidated balance sheet (continued)**

At 30 June 2012

(Expressed in Renminbi)

		<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>351</u>	<u>390</u>
<b>Current liabilities</b>			
Bank borrowings	13	<b>558,534</b>	427,368
Other borrowing	14	—	4,000
Trade payables	15	<b>525,580</b>	466,874
Accruals and other payables		<b>246,468</b>	218,590
Tax payable		<u>—</u>	<u>467</u>
		<b>1,330,582</b>	1,117,299
<b>Total liabilities</b>		<b>1,330,933</b>	1,117,689
<b>Total equity and liabilities</b>			
		<b>2,946,051</b>	2,713,131
<b>Net current assets</b>			
		<b>165,363</b>	258,660
<b>Total assets less current liabilities</b>			
		<b>1,615,469</b>	1,595,832

## Condensed consolidated statement of changes in equity

For the six months ended 30 June 2012

(Expressed in Renminbi)

	Share capital	Share premium	Capital reserve	Statutory common funds	Asset revaluation reserve	Accumulated profits	Attributable to equity holders of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2011 (audited and restated)	655,015	389,338	(4,699)	204,743	35,688	199,658	1,479,743	7,315	1,487,058
Profit and total comprehensive income for the period (restated)	—	—	—	—	—	34,839	34,839	3,136	37,975
As at 30 June 2011 (unaudited and restated)	<u>655,015</u>	<u>389,338</u>	<u>(4,699)</u>	<u>204,743</u>	<u>35,688</u>	<u>234,497</u>	<u>1,514,582</u>	<u>10,451</u>	<u>1,525,033</u>
As at 1 January 2012 (audited)	655,015	389,338	(7,472)	209,830	35,688	304,541	1,587,040	8,402	1,595,442
Profit and total comprehensive income for the period	—	—	—	—	—	52,170	52,170	2,597	54,767
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	(2,340)	(2,340)
Dividend approved in respect of 2011 (note 9)	—	—	—	—	—	(32,751)	(32,751)	—	(32,751)
As at 30 June 2012 (unaudited)	<u>655,015</u>	<u>389,338</u>	<u>(7,472)</u>	<u>209,830</u>	<u>35,688</u>	<u>323,960</u>	<u>1,606,459</u>	<u>8,659</u>	<u>1,615,118</u>

**Condensed consolidated cash flow statement**

For the six months ended 30 June 2012

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(unaudited)</b>	(unaudited
	<b>RMB'000</b>	and restated)
		<b>RMB'000</b>
<b>Net cash used in operating activities</b>	<b>(113,324)</b>	(72,197)
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(33,810)</b>	(27,930)
Proceeds from disposal of property, plant and equipment	<b>138</b>	1,346
Decrease in net amounts due from fellow subsidiaries and associates	<b>926</b>	1,924
Release of restricted bank deposit designated for capital contribution to a new subsidiary	<b>—</b>	175,000
Interest received	<b>3,240</b>	2,357
Dividends received from associates	<b>3,281</b>	—
<b>Net cash (used in)/generated from investing activities</b>	<b>(26,225)</b>	152,697
<b>Financing activities</b>		
Proceeds from borrowings	<b>402,000</b>	212,357
Repayments of borrowings	<b>(274,834)</b>	(310,108)
(Decrease)/increase in net amount due to ultimate holding company	<b>(6,163)</b>	4,314
Repayments of obligations under finance leases	<b>—</b>	(1,279)
Decrease/(increase) in restricted bank deposits	<b>22,550</b>	(3,147)
Dividends paid to non-controlling shareholders of a subsidiary	<b>(2,340)</b>	—
Dividend paid	<b>(16,015)</b>	—
<b>Net cash generated from/(used in) financing activities</b>	<b>125,198</b>	(97,863)
<b>Net decrease in cash and cash equivalents</b>	<b>(14,351)</b>	(17,363)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>343,783</b>	392,370
<b>Effect of foreign exchange rate changes</b>	<b>79</b>	(156)
<b>Cash and cash equivalents at the end of the period</b>	<b>329,511</b>	374,851

## Notes to the condensed consolidated financial statements

(Expressed in Renminbi)

### 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, 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 immediate 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 interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKSE.

The principal accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2011.

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 this interim financial information have been restated in order to include the results of Longwill since the date of which first came under common control. Details of adjustments for the common control combination on the Group's results for the six months ended 30 June 2011 are set out in note 16.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial information is unaudited but has been reviewed by the Company's Audit Committee.

### 3. Application of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in the interim financial information as a result of these developments.

Up to the date of issue of this interim financial information, the HKICPA has issued a number of amendments, new standards and Interpretations that are not yet effective for the year ending 31 December 2012 and that have not been adopted in the interim financial information. Of these developments, the followings may be relevant to the Group's operations and financial statements:

	<b>Effective for accounting periods beginning on or after</b>
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 potential 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 determine whether the adoption will have any 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 six months ended 30 June 2012, 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, manufacture 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 and assets 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.

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

#### 4. Revenue and segmental information (continued)

The following tables provide an analysis of the Group's revenue, results and certain assets by reportable segments for the six months ended 30 June 2012:

##### Six months ended 30 June 2012

	Electronic manufacturing products (unaudited) RMB'000	Electronic equipment products (unaudited) RMB'000	Communication technology products (unaudited) RMB'000	Electronic intelligent products (unaudited) RMB'000	Other operations (unaudited) RMB'000	Elimination (unaudited) RMB'000	Consolidated (unaudited) RMB'000
<b>Revenue</b>							
External sales	300,677	218,062	244,196	238,048	40,762	–	1,041,745
Internal sales	12,743	14,345	35	11,093	621	(38,837)	–
<b>Total</b>	<b>313,420</b>	<b>232,407</b>	<b>244,231</b>	<b>249,141</b>	<b>41,383</b>	<b>(38,837)</b>	<b>1,041,745</b>
<b>Results</b>							
Segment results	9,428	14,395	735	8,280	(966)	–	31,872
Unallocated corporate expenses							(62,415)
Interest income							3,240
Interest expense							(14,759)
Share of profits of associates							101,386
Income tax expense							(4,557)
<b>Profit for the period</b>							<b>54,767</b>

##### At 30 June 2012

	Electronic manufacturing products (unaudited) RMB'000	Electronic equipment products (unaudited) RMB'000	Communication technology products (unaudited) RMB'000	Electronic intelligent products (unaudited) RMB'000	Other operations (unaudited) RMB'000	Elimination (unaudited) RMB'000	Consolidated (unaudited) RMB'000
<b>Assets</b>							
Segment assets	525,031	334,036	138,736	673,704	318,016	(526,110)	1,463,413
Associates							781,897
Available-for-sale equity securities							3,650
Unallocated corporate assets							697,091
<b>Consolidated total assets</b>							<b>2,946,051</b>

#### 4. Revenue and segmental information (continued)

##### Six months ended 30 June 2011

	Electronic manufacturing products (unaudited and restated) RMB'000	Electronic equipment products (unaudited and restated) RMB'000	Communication technology products (unaudited and restated) RMB'000	Electronic intelligent products (unaudited and restated) RMB'000	Other operations (unaudited and restated) RMB'000	Elimination (unaudited and restated) RMB'000	Consolidated (unaudited and restated) RMB'000
<b>Revenue</b>							
External sales	289,255	200,372	86,460	219,751	31,504	–	827,342
Internal sales	12,769	17,299	506	2,643	3,634	(36,851)	–
<b>Total</b>	<b>302,024</b>	<b>217,671</b>	<b>86,966</b>	<b>222,394</b>	<b>35,138</b>	<b>(36,851)</b>	<b>827,342</b>
<b>Results</b>							
Segment results	42,733	13,259	1,232	11,033	3,764	–	72,021
Unallocated corporate expenses							(54,388)
Interest income							2,357
Interest expense							(12,551)
Share of profits of associates							40,788
Income tax expense							(10,252)
<b>Profit for the period</b>							<b>37,975</b>

##### At 31 December 2011

	Electronic manufacturing products (audited) RMB'000	Electronic equipment products (audited) RMB'000	Communication technology products (audited) RMB'000	Electronic intelligent products (audited) RMB'000	Other operations (audited) RMB'000	Elimination (audited) RMB'000	Consolidated (audited) RMB'000
<b>Assets</b>							
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
<b>Consolidated total assets</b>							<b>2,713,131</b>

5. Other income and net (losses)/gains

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited and restated)
	RMB'000	RMB'000
Other income		
Rental and property management fee income	6,282	8,018
Government subsidies	6,737	4,361
Sundry income	502	1,285
	<u>13,521</u>	<u>13,664</u>
Other net (losses)/gains		
Exchange losses	(802)	(655)
(Loss)/gain on disposal of property, plant and equipment	(74)	878
	<u>(876)</u>	<u>223</u>
	<u>12,645</u>	<u>13,887</u>

6. Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited and restated)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	27,106	25,575
Amortisation of land use rights	341	341
Write-down of inventories	4,034	1,511
Impairment losses recognised/(reversed) on		
– Trade receivables	(405)	(773)
– Other receivables	(547)	(4,304)
– Amounts due from fellow subsidiaries and associates	117	31
	<u>117</u>	<u>31</u>

## 7. Income tax expense

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited and restated)
	RMB'000	RMB'000
Current tax		
— PRC enterprise income tax	1,981	9,650
— Under-provision in prior year	5,077	—
	<u>7,058</u>	<u>9,650</u>
Deferred tax		
— attributable to the origination and reversal of temporary differences	(2,501)	602
	<u>4,557</u>	<u>10,252</u>

PRC enterprise income tax is charged at the statutory rate of 25% (six months ended 30 June 2011: 25%) of the assessable income as determined with the relevant tax rules and regulations of the PRC, except that the Company and certain subsidiaries in the PRC are subject to a preferential tax rate of 12.5% or 15% (six months ended 30 June 2011: 12.5% or 15%)

## 8. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2012 of RMB52,170,000 (six months ended 30 June 2011 as restated: RMB34,839,000) and 655,015,000 shares in issue throughout the period.

The diluted earnings per share for the six months ended 30 June 2012 and 2011 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2012 and 2011.

## 9. Dividends

Final dividend of RMB50 cents per ten shares in respect of the year ended 31 December 2011 was approved on 29 March 2012.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: RMBnil).

## 10. Movements in property, plant and equipment

During the period, the Group spent RMB33,810,000 (six months ended 30 June 2011 as restated: RMB27,930,000) on acquisition of property, plant and equipment.

In addition, the Group disposed of certain property, plant and equipment with carrying value of RMB212,000 (six months ended 30 June 2011: RMB468,000) for cash proceeds of RMB138,000 (six months ended 30 June 2011: RMB1,346,000).

#### 11. Trade and bills receivables

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

The following is an ageing analysis of trade and bill receivables net of provision for impairment:

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Within 1 year	<b>614,291</b>	554,235
1 to 2 years	<b>32,068</b>	10,238
2 to 3 years	<b>82</b>	74
Over 3 years	<b>6</b>	99
	<b>646,447</b>	564,646

#### 12. Restricted bank deposits

The restricted bank deposits are pledged as security for:

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Bills payable	<b>25,878</b>	44,683
Performance bonds given by banks to customers in respect of projects undertaken	<b>54,677</b>	58,422
	<b>80,555</b>	103,105

#### 13. Bank borrowings

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Short term bank loans	<b>507,000</b>	358,308
Bills payable, secured	<b>51,534</b>	69,060
	<b>558,534</b>	427,368

At 30 June 2012, the Company's short term bank loans amounting to RMB120,000,000 (31 December 2011: RMB70,000,000) were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB1,004,000 (31 December 2011: RMB1,150,000) and RMB111,376,000 (31 December 2011: RMB113,822,000) respectively with banks, and short term bank loans amounting to RMB320,000,000 (31 December 2011: RMB170,000,000) were secured by corporate guarantees from the ultimate holding company.

#### 14. Other borrowing

This represented a specific-purpose loan provided by Jiangsu International Trust Co., Ltd. in November 2009 for financing certain software research and development activities of the Group. The loan bore interest at 0.3% (31 December 2011: 0.3%) per annum and matured in February 2012.

## 15. Trade payables

The following is an ageing analysis of trade payables:

	<b>30 June 2012</b> <b>(unaudited)</b> <b>RMB'000</b>	31 December 2011 (audited) RMB'000
Within 1 year	<b>444,065</b>	395,206
1 to 2 years	<b>35,481</b>	28,844
2 to 3 years	<b>11,136</b>	18,094
Over 3 years	<b>34,898</b>	24,730
	<b>525,580</b>	466,874

## 16. Business combination under common control

Details of adjustments for common control combination of Longwill (see note 2) on the Group's results for the six month ended 30 June 2011 are as follows:

	<b>As previously reported</b> RMB'000	<b>Longwill</b> RMB'000	<b>Adjustments</b> RMB'000	<b>As restated</b> RMB'000
<b>Turnover</b>	<b>822,360</b>	5,058	(76)	<b>827,342</b>
Profit/(loss) before taxation	48,811	(584)	—	48,227
Income tax expense	(10,237)	(15)	—	(10,252)
<b>Profit/(loss) for the period</b>	<b>38,574</b>	(599)	—	<b>37,975</b>
<b>Earnings/(loss) per share</b> <b>(RMB cents)</b>				
— Basic and diluted	5.40	(0.09)	0.01	5.32

Note:

The above adjustments mainly represent adjustments to eliminate the intra-group transactions between the Group companies and Longwill. No other significant adjustments were made to the net profit of any entities of the Group as a result of the common control combination to achieve consistency of accounting policies.

## 17. Contingent liabilities

The Group had the following contingent liabilities:

	<b>30 June 2012</b> <b>(unaudited)</b> <b>RMB'000</b>	31 December 2011 (audited) RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	<b>54,677</b>	58,422

## 18. Capital commitments

At 30 June 2012, outstanding capital commitments not provided for in the financial statements are as follows:

	<b>30 June 2012</b> <b>(unaudited)</b> <b>RMB'000</b>	31 December 2011 (audited) RMB'000
Contracted for		
— Property, plant and equipment	<b>19,667</b>	14,842

## 19. Related party transactions

The Group entered into the following material transactions with its related parties during the period:

	Fellow subsidiaries		Associates		Ultimate holding company	
	Six months ended 30 June 2012	2011	Six months ended 30 June 2012	2011	Six months ended 30 June 2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	and	and	and	and	and	and
	restated)	restated)	restated)	restated)	restated)	restated)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales of components and parts	<b>58,062</b>	41,529	<b>5,826</b>	23,446	—	38
Purchases of components and parts	<b>18,786</b>	16,646	<b>427</b>	—	—	—
Fees paid for welfare, support and sub-contracting services	<b>1,203</b>	2,141	—	—	<b>562</b>	32
Income for welfare, support and sub-contracting services	<b>12,134</b>	6,436	<b>17,766</b>	64,161	<b>688</b>	500
Rental income	<b>4,298</b>	400	—	—	—	—

Balances with related parties are included as part of the followings:

	Fellow subsidiaries		Associates		Ultimate holding company	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	<b>35,866</b>	29,141	<b>8,969</b>	13,299	<b>1,456</b>	950
Deposits, prepayments and other receivables	<b>258</b>	5,647	<b>385</b>	—	—	—
Trade payables	<b>(22,726)</b>	(17,260)	<b>(80)</b>	(80)	<b>(715)</b>	(4,087)
Accruals and other payables	<b>(221)</b>	(7,338)	<b>(2,455)</b>	(2,475)	<b>(21,867)</b>	(7,416)
Net balance	<b>13,177</b>	10,190	<b>6,819</b>	10,744	<b>(21,126)</b>	(10,553)

## 20. Comparative figures

As stated in notes 2 and 16, certain comparative figures have been restated to reflect the effect of a business combination under common control.

## 21. Difference between HKFRSs and PRC Accounting Standards for Business Enterprises

For the six months ended 30 June 2012 and 2011, there were no material differences between the condensed consolidated statements of comprehensive income and condensed consolidated balance sheets of the Group prepared under HKFRSs and PRC Accounting Standards for Business Enterprises.

## VIII. INTERIM FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS)

- (I) The 2012 interim financial report of the Company was unaudited
- (II) Financial statements and notes thereto (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

### Consolidated Balance Sheet

As at 30 June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

<b>Assets</b>	<b>Closing balance</b>	Opening balance
<b>Current assets:</b>		
Cash and bank balances	410,065,730.29	446,888,631.46
Settlement provisions		
Placements with banks and other financial institutions		
Trading financial assets		
Bills receivable	17,933,144.36	15,720,441.55
Trade receivables	628,513,698.88	548,925,350.05
Prepayments	136,511,879.45	91,165,039.41
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserve		
Interest receivable		
Dividends receivable		
Other receivables	28,318,393.91	23,267,110.10
Financial assets purchased for resale		
Inventories	274,602,426.17	249,992,893.28
Non-current assets due within one year		
Other current assets		
<b>Total current assets</b>	<b>1,495,945,273.06</b>	<b>1,375,959,465.85</b>
<b>Non-current assets:</b>		
Entrusted loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	785,547,424.77	687,442,710.67
Investment properties		
Fixed assets	598,651,690.23	618,853,365.45
Construction in progress	32,632,625.63	306,362.89
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	24,821,147.81	24,577,950.24
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	8,453,360.52	5,991,302.88
Other non-current assets		
<b>Total non-current assets</b>	<b>1,450,106,248.96</b>	<b>1,337,171,692.13</b>
<b>Total assets</b>	<b>2,946,051,522.02</b>	<b>2,713,131,157.98</b>

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

<b>Liabilities and shareholders' equity</b>	<b>Closing balance</b>	Opening balance
<b>Current liabilities:</b>		
Short-term loans	<b>507,000,000.00</b>	358,307,585.20
Borrowing from the People's Bank of China ("PBOC")		
Customer and interbank deposits		
Borrowing from interbank market		
Trading financial liabilities		
Bills payable	<b>51,533,712.25</b>	69,060,351.93
Accounts payable	<b>525,580,350.39</b>	466,874,177.25
Advances from customers	<b>52,472,235.20</b>	73,687,666.89
Financial assets sold under repurchase agreements		
Handling charges and commission payable		
Salaries payable	<b>37,871,114.42</b>	44,677,781.13
Taxes payable	<b>4,114,564.77</b>	-12,370,970.32
Interest payable	<b>911,527.82</b>	969,055.41
Dividends payable	<b>16,735,750.00</b>	143,289.96
Other payables	<b>134,362,300.76</b>	111,950,392.10
Payables on reinsurance		
Insurance contract reserve		
Customer deposits for trading in securities		
Customer deposits for securities underwriting		
Non-current liabilities due within one year		4,000,000.00
Other current liabilities		
<b>Total current liabilities</b>	<b>1,330,581,555.61</b>	1,117,299,329.55
<b>Non-current liabilities:</b>		
Long-term loans		
Bonds payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities	<b>350,980.01</b>	390,239.64
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>350,980.01</b>	390,239.64
<b>Total liabilities</b>	<b>1,330,932,535.62</b>	1,117,689,569.19
<b>Shareholders' equity:</b>		
Share capital	<b>655,015,000.00</b>	655,015,000.00
Capital reserve	<b>467,473,413.43</b>	467,473,413.43
Less: treasury shares		
Special reserve		
Surplus reserve	<b>208,218,564.46</b>	208,218,564.46
General risk reserve		
Undistributed profits	<b>275,752,657.49</b>	256,332,969.10
Difference arising from translation of foreign currency financial statements		
<b>Sub-total of equity attributable to the shareholders of the Company</b>	<b>1,606,459,635.38</b>	1,587,039,946.99
<b>Minority interests</b>	<b>8,659,351.02</b>	8,401,641.80
<b>Total shareholders' equity</b>	<b>1,615,118,986.40</b>	1,595,441,588.79
<b>Total liabilities and shareholders' equity</b>	<b>2,946,051,522.02</b>	2,713,131,157.98

Legal Representative of  
the Company:  
Xia Dechuan

Person in charge of  
accounting work:  
Shen Jianlong

Person in charge of the  
Accounting Department:  
Wu Yuzhen

## Consolidated Income Statement

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period	Amount for the same period last year
<b>I. Total operating income</b>	<b>1,056,091,091.83</b>	843,207,194.75
Including: Operating income	<b>1,056,091,091.83</b>	843,207,194.75
Interest income		
Premiums earned		
Income from handling charges and Commissions		
<b>II. Total operating cost</b>	<b>1,105,060,749.25</b>	841,931,041.31
Including: Operating cost	<b>937,450,140.68</b>	693,266,098.77
Interest expenses		
Handling charges and Commissions		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharges	<b>8,064,665.71</b>	7,846,508.69
Selling expenses	<b>15,551,193.53</b>	18,006,414.46
Administrative expenses	<b>127,984,889.76</b>	115,105,335.15
Financial expenses	<b>12,811,236.92</b>	11,205,238.20
Loss on assets impairment	<b>3,198,622.65</b>	-3,498,553.96
Add: Gain from change in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	<b>101,385,914.10</b>	40,787,310.76
Including: Income from investment in associates and joint ventures	<b>101,385,914.10</b>	40,787,310.76
Exchange gain (losses are represented by "-")		
<b>III. Operating profit (losses are represented by "-")</b>	<b>52,416,256.68</b>	42,063,464.20
Add: Non-operating income	<b>7,244,192.61</b>	6,681,803.02
Less: Non-operating expenses	<b>336,549.46</b>	518,235.37
Including: Loss from the disposal of non-current assets		
<b>IV. Total Profit (losses are represented by "-")</b>	<b>59,323,899.83</b>	48,227,031.85
Less: Income tax expense	<b>4,556,501.68</b>	10,252,137.49
<b>V. Net Profit (losses are represented by "-")</b>	<b>54,767,398.15</b>	37,974,894.36
Profit attributable to the equity holders of the Company	<b>52,170,438.39</b>	34,839,001.78
Minority interest	<b>2,596,959.76</b>	3,135,892.58
<b>VI. Earnings per share:</b>		
(1) Basic earnings per share	<b>0.0796</b>	0.0532
(2) Diluted earnings per share	<b>0.0796</b>	0.0532
<b>VII. Other comprehensive income:</b>		
<b>VIII. Total comprehensive income:</b>	<b>54,767,398.15</b>	37,974,894.36
Total comprehensive income attributable to the equity holders of the Company	<b>52,170,438.39</b>	34,839,001.78
Total comprehensive income attributable to minority shareholders	<b>2,596,959.76</b>	3,135,892.58

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

**Consolidated Cash Flow Statement**

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period	Amount for the same period last year
<b>I. Cash flows from operating activities</b>		
Cash received from the sale of goods and rendering of services	1,043,697,611.62	843,175,623.17
Net increase in customer and interbank deposits		
Net increase in borrowing from PBOC		
Net cash increase in borrowings from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in interbank borrowing		
Net increase in cash received from repurchase operation		
Refunds of taxes	22,040,644.13	782,984.86
Cash received relating to other operating activities	<u>35,691,980.32</u>	<u>21,526,695.86</u>
<b>Sub-total of cash inflows from operating activities</b>	<b>1,101,430,236.07</b>	<b>865,485,303.89</b>
Cash paid for purchase of goods and services received	<b>916,080,963.28</b>	<b>644,621,579.05</b>
Net increase in loans and advances		
Net increase in deposits with PBOC and interbank		
Cash paid for compensation payments under original insurance contract		
Cash paid for interest, handling charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	<b>148,764,205.73</b>	<b>136,571,416.00</b>
Cash paid for all types of taxes	<b>51,394,853.76</b>	<b>67,303,191.33</b>
Cash paid relating to other operating activities	<u>84,726,179.37</u>	<u>64,794,723.88</u>
<b>Sub-total of cash outflows from operating activities</b>	<b>1,200,966,202.14</b>	<b>913,290,910.26</b>
<b>Net cash flows from operating activities</b>	<b>-99,535,966.07</b>	<b>-47,805,606.37</b>
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments		
Cash received from return on investments	<b>3,281,200.00</b>	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>132,907.69</b>	1,332,425.00
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities		<u>175,000,000.00</u>
<b>Sub-total of cash inflows from investing activities</b>	<b>3,414,107.69</b>	<b>176,332,425.00</b>
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	<b>33,809,596.94</b>	<b>36,342,108.92</b>
Cash paid for investments		
Net increase in secured loans		
Net cash paid for acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities		
<b>Sub-total of cash outflows from investing activities</b>	<b>33,809,596.94</b>	<b>36,342,108.92</b>
<b>Net cash flows from investing activities</b>	<b>-30,395,489.25</b>	<b>139,990,316.08</b>

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

Item	Amount for the period	Amount for the same period last year
<b>III. Cash flows from financing activities:</b>		
Cash received from investments		
Including: cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	<b>422,698,456.50</b>	212,356,944.20
Cash received from issuing bonds		
Cash received from other financing activities		
	<hr/>	<hr/>
<b>Sub-total of cash inflows from financing activities</b>	<b>422,698,456.50</b>	212,356,944.20
Cash paid on repayment of borrowings	<b>274,228,221.90</b>	309,607,957.60
Cash paid on distribution of dividends or profits, or interest expenses	<b>32,890,235.01</b>	10,981,967.18
Including: dividend and profit paid to minority shareholders by subsidiaries	<b>2,482,540.50</b>	
Cash paid on other financing activities		1,313,481.60
	<hr/>	<hr/>
<b>Sub-total of cash outflows from financing activities</b>	<b>307,118,456.91</b>	321,903,406.38
<b>Net cash flows from financing activities</b>	<b>115,579,999.59</b>	-109,546,462.18
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>	<b>78,698.91</b>	-156,481.19
<b>V. Net increase in cash and cash equivalents</b>	<b>-14,272,756.82</b>	-17,518,233.66
Add: balance of cash and cash equivalents at the beginning of the period	<b>343,783,370.28</b>	392,369,699.37
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>329,510,613.46</b>	374,851,465.71

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

## Consolidated Statement of Changes in Owners' Equity

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period									
	Equity attributable to shareholders of the Company									
	Share capital	Capital Reserve	Less: treasury shares	Special Reserve	Surplus Reserve	General risk reserve	Undistributed Profits	Others	Minority Interest	Total shareholders' equity
<b>I. Balance at the end of last year</b>	655,015,000.00	467,473,413.43			208,218,594.46		256,332,969.10		8,401,641.80	1,595,441,588.79
Add change in accounting policies										
Correction of previous errors										
<b>II. Balance at the beginning of the year</b>	655,015,000.00	467,473,413.43			208,218,594.46		256,332,969.10		8,401,641.80	1,595,441,588.79
<b>III. Increase/decrease in the period (a decrease is represented by "-")</b>							19,419,688.39		257,709.22	19,677,397.61
(I) Net profit							52,170,438.39		2,596,959.76	54,767,398.15
(II) Other comprehensive income										
Subtotal of items (I) and (II) above							52,170,438.39		2,596,959.76	54,767,398.15
(III) Contribution and reduction of capital by shareholders										
1. Capital contribution by shareholders										
2. Amount settled by shares accounted for in shareholders' equity										
3. Others										
(IV) Profit distribution							-32,750,750.00		-2,339,250.54	-35,090,000.54
1. Transfer to surplus reserve										
2. Transfer to general risk reserve										
3. Distribution to shareholders							-32,750,750.00		-2,339,250.54	-35,090,000.54
4. Others										
(V) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Compensation of loss from surplus reserve										
4. Others										
(VI) Transfer and use of special reserve										
1. Transfer in current period										
2. Use in current period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	655,015,000.00	467,473,413.43			208,218,594.46		275,752,657.49		8,659,351.02	1,615,118,986.40

Legal Representative of  
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Person in charge of  
accounting work:  
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Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

Item	Amount for the same period last year								Minority Interest	Total shareholders' equity
	Share capital	Capital Reserve	Less: treasury shares	Special Reserve	Surplus Reserve	General risk reserve	Undistributed Profits	Others		
<b>I. Balance at the end of last year</b>	655,015,000.00	457,310,246.52			203,021,623.67		150,780,310.99		6,581,697.19	1,482,718,878.37
Add: change in accounting policies										
Combination of businesses under the same control		2,935,633.24					669,364.00		733,908.33	4,338,935.67
<b>II. Balance at the beginning of the year</b>	655,015,000.00	470,245,879.86			203,021,623.67		151,449,674.99		7,315,605.52	1,487,067,784.04
<b>III. Increase/decrease in the period (a decrease is represented by "-")</b>							34,839,001.78		3,135,892.58	37,974,894.36
(I) Net profit							34,839,001.78		3,135,892.58	37,974,894.36
(II) Other comprehensive income										
Subtotal of item (I) and (II) above							34,839,001.78		3,135,892.58	37,974,894.36
(III) Contribution and reduction of capital by shareholders										
1. Capital contribution by shareholders										
2. Amount settled by shares accounted for in shareholders' equity										
3. Others										
(IV) Profit distribution										
1. Transfer to surplus reserve										
2. Transfer to general risk reserve										
3. Distribution to shareholders										
4. Others										
(V) Internal transfer of shareholders' equity										
1. Transfer of capital reserve to share capital										
2. Transfer of surplus reserve to share capital										
3. Compensation of loss from surplus reserve										
4. Others										
(VI) Transfer and use of special reserve										
1. Transfer in current period										
2. Use in current period										
(VII) Others										
<b>IV. Balance at the end of the period</b>	655,015,000.00	470,245,879.86			203,021,623.67		186,289,676.77		10,451,498.10	1,525,032,678.40

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

**Balance Sheet**

30 June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

<b>Assets</b>	<b>Closing balance</b>	Opening balance
<b>Current assets:</b>		
Cash and bank balances	<b>86,221,123.51</b>	89,554,907.28
Settlement provisions		
Placements with banks and other financial institutions		
Trading financial assets		
Bills receivable	<b>51,000.00</b>	2,705,695.37
Trade receivables	<b>78,272,739.89</b>	62,071,745.67
Prepayments	<b>2,469,686.93</b>	10,442,132.04
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserves		
Interest receivable		
Dividends receivable	<b>2,739,006.08</b>	3,460,963.25
Other receivables	<b>203,410,655.68</b>	149,969,007.09
Financial assets purchased for resale		
Inventories	<b>13,840,627.89</b>	8,362,496.01
Non-current assets due within one year		
Other current assets		
<b>Total current assets</b>	<b>387,004,839.98</b>	326,566,946.71
<b>Non-current assets:</b>		
Entrusted loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	<b>1,355,395,679.50</b>	1,166,364,445.40
Investment properties		
Fixed assets	<b>391,717,430.13</b>	400,611,454.76
Construction in progress	<b>31,043,314.87</b>	
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	<b>23,909,075.78</b>	24,461,068.82
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>1,802,065,500.28</b>	1,591,436,968.98
<b>Total assets</b>	<b>2,189,070,340.26</b>	1,918,003,915.69

Legal Representative of  
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Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

<b>Liabilities and shareholders' equity</b>	<b>Closing balance</b>	Opening balance
<b>Current liabilities:</b>		
Short-term loans	<b>430,000,000.00</b>	240,000,000.00
Borrowing from PBOC		
Customer and interbank deposits		
Borrowing from interbank		
Trading financial liabilities		
Bills payable	<b>25,587,450.65</b>	11,118,761.39
Accounts payable	<b>41,673,687.73</b>	32,635,735.91
Advances from customers	<b>3,824,368.50</b>	6,462,138.00
Financial assets sold under repurchase agreements		
Handling charges and commission payable		
Salaries payable	<b>22,236,473.70</b>	22,562,412.96
Taxes payable	<b>4,066,747.01</b>	4,361,014.76
Interest payable	<b>911,527.82</b>	521,752.78
Dividends payable	<b>16,735,750.00</b>	
Other payables	<b>214,033,599.62</b>	168,524,052.57
Payables on reinsurance		
Insurance contract reserve		
Customer deposits for trading in securities		
Customer deposits for securities underwriting		
Non-current liabilities due within one year		4,000,000.00
Other current liabilities		
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>759,069,605.03</b>	490,185,868.37
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current liabilities:</b>		
Long-term loans		
Bonds payables		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
	<hr/>	<hr/>
<b>Total non-current liabilities</b>		
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities</b>	<b>759,069,605.03</b>	490,185,868.37
	<hr/> <hr/>	<hr/> <hr/>
<b>Shareholders' equity:</b>		
Share capital	<b>655,015,000.00</b>	655,015,000.00
Capital reserve	<b>436,256,485.59</b>	436,256,485.59
Less: treasury shares		
Special reserve		
Surplus reserve	<b>208,218,564.46</b>	208,218,564.46
General risk reserve		
Undistributed profits	<b>130,510,685.18</b>	128,327,997.27
Difference arising from translation of foreign currency financial statements		
	<hr/>	<hr/>
<b>Total shareholders' equity</b>	<b>1,430,000,735.23</b>	1,427,818,047.32
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and shareholders' equity</b>	<b>2,189,070,340.26</b>	1,918,003,915.69
	<hr/> <hr/>	<hr/> <hr/>

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

**Income Statement**

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period	Amount for the same period last year
<b>I. Total operating income</b>	<b>44,707,159.18</b>	42,786,494.23
Including: Operating income	<b>44,707,159.18</b>	42,786,494.23
Interest income		
Premiums earned		
Income from handling charges and commissions		
<b>II. Total operating cost</b>	<b>111,736,717.38</b>	98,040,910.64
Including: Operating cost	<b>30,518,889.91</b>	28,934,525.04
Interest expenses		
Handling charges and commissions		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharge	<b>508,418.97</b>	758,058.81
Selling expenses	<b>3,722,997.39</b>	4,320,037.20
Administrative expenses	<b>71,519,616.74</b>	66,870,907.57
Financial expenses	<b>8,461,443.63</b>	8,974,592.33
Loss on assets impairment	<b>-2,994,649.26</b>	-11,817,210.31
Add: Income from change in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	<b>101,385,914.10</b>	40,787,310.76
Including: Income from investment associates and joint ventures	<b>101,385,914.10</b>	40,787,310.76
Exchange gain (losses are represented by "-")		
<b>III. Operating profit (losses are represented by "-")</b>	<b>34,356,355.90</b>	-14,467,105.65
Add: Non-operating income	<b>704,418.77</b>	2,163,588.99
Less: Non-operating expenses	<b>127,336.76</b>	451,815.29
Including: Loss from the disposal of non-current assets		
<b>IV. Total Profit (losses are represented by "-")</b>	<b>34,933,437.91</b>	-12,755,331.95
Less: Income tax expense		
<b>V. Net Profit (losses are represented by "-v")</b>	<b>34,933,437.91</b>	-12,755,331.95
<b>VI. Other comprehensive income:</b>		
<b>VII. Total comprehensive income:</b>	<b>34,933,437.91</b>	-12,755,331.95

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

**Cash Flow Statement**

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period	Amount for the same period last year
<b>I. Cash flows from operating activities:</b>		
Cash received from the sale of goods and rendering of services	<b>26,776,257.69</b>	23,170,324.09
Net increase in customer and interbank deposits		
Net increase in borrowing from PBOC		
Net cash increase in borrowing from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in interbank borrowing		
Net increase in cash received from repurchase operation		
Refunds of taxes		
Cash received relating to other operating activities	<b>51,492,462.05</b>	149,650,443.90
<b>Sub-total of cash inflows from operating activities</b>	<b>78,268,719.74</b>	172,820,767.99
Cash paid for purchase of goods and services received	<b>21,991,384.59</b>	20,498,780.98
Net increase in loans and advances		
Net increase in deposits with PBOC and interbank		
Cash paid for compensation payments under original insurance contract		
Cash paid for interest, bank charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	<b>28,523,903.66</b>	48,731,696.10
Cash paid for all types of taxes	<b>3,554,856.54</b>	2,298,709.12
Cash paid relating to other operating activities	<b>81,506,983.07</b>	47,358,294.89
<b>Sub-total of cash outflows from operating activities</b>	<b>135,577,127.86</b>	118,887,481.09
<b>Net cash flows from operating activities</b>	<b>-57,308,408.12</b>	53,933,286.90

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

Item	Amount for the period	Amount for the same period last year
<b>II. Cash flows from investing activities:</b>		
Cash received from disposal of investments		30,000,000.00
Cash received from return on investments	<b>721,957.17</b>	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		95,625.00
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities		
<b>Sub-total of cash inflows from investing activities</b>	<b>721,957.17</b>	30,095,625.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	<b>22,695,682.45</b>	10,736,529.07
Cash paid for investments	<b>89,381,394.60</b>	30,000,000.00
Net increase in secured loans		
Net cash paid for acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities		
<b>Sub-total of cash outflows from investing activities</b>	<b>112,077,077.05</b>	40,736,529.07
<b>Net cash flows from investing activities</b>	<b>-111,355,119.88</b>	-10,640,904.07
<b>III. Cash flows from financing activities:</b>		
Cash received from investment		
Including: cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	<b>360,000,000.00</b>	170,000,000.00
Cash received from issuing bonds		
Cash received from other financing activities		
<b>Sub-total of cash inflows from financing activities</b>	<b>360,000,000.00</b>	170,000,000.00
Cash paid on repayment of borrowings	<b>170,000,000.00</b>	295,000,000.00
Cash paid on distribution of dividends or profits, or interest expenses	<b>26,904,587.80</b>	9,551,966.67
Including: dividend and profit paid to minority shareholders by subsidiaries		
Cash paid on other financing activities		
<b>Sub-total of cash outflows from financing activities</b>	<b>196,904,587.80</b>	304,551,966.67
<b>Net cash flows from financing activities</b>	<b>163,095,412.20</b>	-134,551,966.67
<b>IV. Effect of fluctuations in exchange rates on cash and cash equivalents</b>	<b>-12.60</b>	-124.25
<b>V. Net increase in cash and cash equivalents</b>	<b>-5,568,128.40</b>	-91,259,708.09
Add: balance of cash and cash equivalents at the beginning of the period	<b>58,995,526.58</b>	151,591,454.98
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>53,427,398.18</b>	60,331,746.89

Legal Representative of  
the Company:  
Xia Dechuan

Person in charge of  
accounting work:  
Shen Jianlong

Person in charge of the  
Accounting Department:  
Wu Yuzhen

## Statement of Changes in Owners' Equity

Jan-June 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	Amount for the period							Total shareholders' equity
	Share capital	Capital Reserve	Less: treasury shares	Special Reserve	Surplus Reserve	General risk reserve	Undistributed Profits	
<b>I. Balance at the end of last year</b>	655,015,000.00	436,256,485.59			208,218,564.46		128,327,997.27	1,427,818,047.32
Add: change in accounting policies								
Correction of previous errors								
<b>II. Balance at the beginning of the year</b>	655,015,000.00	436,256,485.59			208,218,564.46		128,327,997.27	1,427,818,047.32
<b>III. Increase/decrease in the period (a decrease is represented by "-")</b>							2,182,687.91	2,182,687.91
(i) Net profit							34,693,437.91	34,693,437.91
(ii) Other comprehensive income								
Subtotal of item (i) and (ii) above							34,693,437.91	34,693,437.91
(iii) Contribution and reduction of capital by shareholders								
1. Capital contribution by shareholders								
2. Amount settled by shares accounted for in shareholders' equity								
3. Others								
(iv) Profit distribution							-32,750,750.00	-32,750,750.00
1. Transfer to surplus reserve								
2. Transfer to general risk reserve								
3. Distribution to shareholders							-32,750,750.00	-32,750,750.00
4. Others								
(v) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Compensation of loss from surplus reserve								
4. Others								
(vi) Transfer and use of special reserve								
1. Transfer in current period								
2. Use in current period								
(vii) Others								
<b>IV. Balance at the end of the period</b>	655,015,000.00	436,256,485.59			208,218,564.46		130,510,685.18	1,430,000,735.23

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

Item	Amount for the same period last year							Total
	Share capital	Capital Reserve	Less: treasury shares	Special Reserve	Surplus Reserve	General risk reserve	Undistributed Profits	shareholders' equity
<b>I. Balance at the end of last year</b>	655,015,000.00	437,688,751.31			203,031,623.67		81,646,530.16	1,377,380,905.14
Add change in accounting policies								
Correction of previous errors								
<b>II. Balance at the beginning of the year</b>	655,015,000.00	437,688,751.31			203,031,623.67		81,646,530.16	1,377,380,905.14
<b>III. Increase/decrease in the period</b>								
(a decrease is represented by "-")								
(i) Net profit							-12,755,331.95	-12,755,331.95
(ii) Other comprehensive income							-12,755,331.95	-12,755,331.95
Subtotal of item (i) and (ii) above							-12,755,331.95	-12,755,331.95
(iii) Contribution and reduction of capital by shareholders								
1. Capital contribution by shareholders								
2. Amount settled by shares accounted for in shareholders' equity								
3. Others								
(iv) Profit distribution								
1. Transfer to surplus reserve								
2. Transfer to general risk reserve								
3. Distribution to shareholders								
4. Others								
(v) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital								
2. Transfer of surplus reserve to share capital								
3. Compensation of loss from surplus reserve								
4. Others								
(vi) Transfer and use of special reserve								
1. Transfer in current period								
2. Use in current period								
(vii) Others								
<b>IV. Balance at the end of the period</b>	655,015,000.00	437,688,751.31			203,031,623.67		68,890,198.21	1,364,625,573.19

Legal Representative of  
the Company:  
**Xia Dechuan**

Person in charge of  
accounting work:  
**Shen Jianlong**

Person in charge of the  
Accounting Department:  
**Wu Yuzhen**

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2012 to 30 June 2012

(All amounts expressed in RMB unless otherwise stated)

### I. Company Profile

The Company was established on 27 April 1992 as approved by Nanjing Economic System Reform Committee through document Ning Ti Gai Zi (1992) No. 034. It was reorganized into Nanjing Panda Electronics Company Limited (present name) later by its sole promoter, PEGL which acquired the Company's 480,000,000 state-owned legal person shares upon the establishment of the Company at a consideration of total net asset value of RMB480,000,000.00. Registered capital of the Company at its establishment was RMB515,000,000.00, comprising 480,000,000 state-owned legal person shares of RMB1 each and 35,000,000 employee's shares of RMB1 each.

The Company was registered as an enterprise legal person on 29 April 1992, with its business registration number of 13488315-2. The authorized business scope includes development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching system, electronic component parts, equipment and apparatus, electronic machinery and equipment, general machinery, medical machinery, electronic products, component parts of computers, stationeries equipment, industrial moulds and other equipment.

At the general meeting of the Company held on 27 May 1994, a special resolution was passed to approve the matters concerning deconsolidation and restructuring the assets and liabilities of the Company and PEGL as well as re-affirming the state owned legal person shares of the Company. Meanwhile, the Board was authorized to handle all affairs related to conversion of the Company into Socially Funded Company and to make a public offer and listing of the Company's H shares and A shares. According to the special resolution, the net asset value of the Company would be adjusted on 29 June 1994. The net asset value of the Company at establishment was re-defined as RMB322,873,348.00 with a registered capital of RMB322,870,000.00, comprising 287,870,000 state-owned legal person shares and 35,000,000 employee's shares, and a capital reserve of RMB3,348.00. According to the reply to the restructuring report from the State Commission for Restructuring the Economic Systems dated 11 March 1996, the registered capital of the Company was increased from RMB322,870,000.00 to RMB390,015,000.00, divided into 355,015,000 state-owned legal person shares and 35,000,000 employee's shares, all accounted for at par value and credited as fully paid up and allotted.

In order to issue H shares, a comprehensive evaluation was conducted on the assets and liabilities of the Company on 30 September 1995, and book values were adjusted after share issue as approved by the Securities Committee of the State Council.

The Company obtained approval document Zheng Wei Fa (1996) No. 6 from Securities Committee of the State Council on 2 April 1996 for issuing 242,000,000 H shares in Hong Kong at an issue price of HK\$2.13 per share. Share issue was completed on 29 April 1996 and H shares were formally listed on the Hong Kong Stock Exchange on 2 May 1996.

The Company obtained approval document Zheng Gan Fa Zi (1996) No. 304 from Securities Regulatory Commission of the State Council on 30 October 1996 for issuing 23,000,000 ordinary shares denominated in RMB to the public, at an issue price of RMB5.10 per share. On 14 November 1996, all proceeds from the issue were received in full and the Company's shares were listed on Shanghai Stock Exchange on 18 November 1996. The 5,000,000 shares out of the 35,000,000 internal employee's shares under private placement were also listed after completion of issue. Another 30,000,000 shares were listed and started circulating in 1999.

The Company obtained its enterprise legal person business license Qi Su Ning Zong Fu Zi No. 003967 on 18 April 1997. Its registered capital was RMB655,015,000. The authorized business scope include development, production and sale of communication equipments, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipments; plastic products; general equipments such as fans, scales and packaging equipments; special equipments for the processing of non-metallic products such as chemical and wood; transmission and distribution equipments; environmental, public safety and related equipments; financial tax control products; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the aforesaid businesses.

The Company received business license numbered 320100400008823 on 6 January 2011. The registered capital is RMB655,015,000. The authorized business scope include development, manufacture and sale of the transmission equipments of radio broadcasting and television, together with the after service and technical service for such businesses, etc.. General business items include development, production and sale of communication equipments, computers and other electronic facilities; meters and instruments, cultural and office-based machinery; electrical machinery and equipments; plastic products; general equipments such as fans, scales and packaging equipments; special equipments for the processing of chemical, wood and non-metallic products; transmission and distribution equipments; environmental, public safety and related equipments; financial and tax control devices; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the aforesaid businesses. 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 parent company of the Company is Panda Electronics Group Limited.

The financial statements of the Company were approved by the Board of the Company on 30 August 2012.

## II. The declaration on compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company are prepared under the requirements of Accounting Standard for Business Enterprises issued by the Ministry of Finance on 15 February 2006 and in all material respects, truly and completely present the financial position of the Company and the results of its operations and cash flow.

## III. Basis for Preparation of Financial Statements

These financial statements are prepared in accordance with the Basic Principle and 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business Enterprises", as well as "No. 15 Reporting Regulation on the Information Disclosure for Listed Companies - Ordinary Regulation on Financial Report" (as revised in 2010) issued by the CSRC.

## IV. Major Accounting Policies and Accounting Estimates Adopted by the Company

### 1. Accounting Period

Accounting periods are divided into annual periods (yearly) and interim periods. An interim period is a reporting period shorter than a full accounting year. Accounting year is the calendar year from 1 January to 31 December.

### 2. Measurement Currency

The Company uses Renminbi as its currency for recording transactions.

The subsidiaries and associates of the Company decide their own recording currency according to their individual major economic environment. The currency will be converted to Renminbi in preparation of consolidated financial statements.

### 3. Principle of Book-Keeping and Accounting Measurement Attribute

The book-keeping of the Company's account is conducted on an accrual accounting basis generally at historical cost. When the amount of accounting elements recognized conforms to the requirements of Accounting Standards for Business Enterprises and can be measured reliably, they can be calculated by replacement cost, net realizable value, present value and fair value.

### 4. Recognition Standard for Cash Equivalents

Cash equivalents as defined by the Company represent short-term, (usually with maturity within three months from the date of purchase) highly liquid investments which are easily converted into cash of the known amount with low valuation risk.

### 5. Foreign Currency Businesses

#### (1) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of changes in exchange rate on cash should be regarded as reconciling item and presented separately in the cash flow statement.

#### (2) Translation of financial statements denominated in foreign currency

The foreign asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, except "undistributed profits", other items shall be translated at the spot exchange rate when they are incurred. The foreign income and expense items in the income statements shall be translated at the spot exchange rate of the transaction date. The difference arising from the translation of foreign currency financial statements based on the aforesaid methods shall be presented separately under the owner's equity item in the balance sheets. Cash flows statements denominated by a foreign currency should be translated at the exchange rate at the date when the cash flows were generated. The effect of changes in exchange rate on cash should be regarded as a reconciling item and presented separately in the cash flow statement.

## 6. Financial Assets and Financial Liabilities

### (1) Classification and measurement of financial assets and financial liabilities

The Company classifies its financial assets into tradable financial assets, financial assets available for sale, receivables and investment held to maturity in terms of the goal of investment and economic nature. Among which tradable financial assets are calculated at fair value of which changes are included through profit and loss in the prevailing period, while financial assets available for sale are calculated at fair value of which changes are included in shareholder's equity. Receivables and investment held to maturity are calculated at amortized cost.

The Company classifies its financial liabilities into those measured at fair value through profit and loss and other financial liabilities measured at amortized cost with reference to economic nature.

### (2) Recognition of fair value of financial assets and financial liabilities

For financial assets held or financial liabilities to be undertaken by the Company where there is an active market, the Company will adopt the prevailing offer in the active market. For financial assets to be acquired or financial liabilities undertaken, the Company will adopt the prevailing asking price in the active market. For those without prevailing offer or asking price, the market quotations in the latest transaction or those adjusted are adopted, unless there is clear evidence which states that the market quotations are not fair value.

For those without an active market, the Company will adopt the valuation technique to recognize its fair value. Valuation techniques include using the price adopted in recent market transactions between knowledgeable, willing parties, reference to the current fair value of other instrument that is substantially the same, discounted cash flow analysis and option pricing model.

### (3) Recognition and Calculation of Financial Assets Transferal

Transfer of financial assets refers to a transferal or delivery of the financial assets from the Company to the counterparty other than their issuers in whole or in part, including two methods:

Transfer the rights for receiving cash flows from financial assets to another party;

Transfer financial assets to another party but reserve the rights of acquiring cash flows from the financial assets and undertake the obligations of paying the cash flows to be received to the ultimate payee.

When the Company has virtually transferred all risks and rewards arising from all or part of its ownership of the financial assets to the transferee, recognition of those financial assets will cease, while differences between the consideration and the carrying value of the financial assets so received are recognized as profit and loss. Meanwhile, accumulated profits or loss of the financial assets originally recognized in owners' equity are transferred to profit and loss, retaining all risks and rewards under the rights whilst continuing the recognition of all or part of the financial assets. Consideration received is recognized as financial liabilities.

For all risks and rewards under the ownership of the financial assets not yet transferred or retained by the Company, where the ownership of those financial assets have not yet been abandoned, recognition of the financial assets is to be conducted to the extent of their relation to the financial assets transferred, followed by corresponding recognition of the related liabilities.

### (4) Cease of recognition of financial assets and financial liabilities

Recognition of the financial assets of the Company will cease when one of the terms in the following is fulfilled:

Contract rights of acquiring the cash flows from the financial assets are terminated.

The financial assets have been transferred in conformity with the conditions of cease of recognition stipulated under Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets.

Recognition of financial liabilities will only ceases or cease in part when current obligation arising from financial liabilities of the Company have been dissolved in whole or in part.

(5) Impairment of financial assets

Where the Company inspects the carrying value of financial assets other than tradable financial assets on the balance sheet date and there is objective evidence of impairment of financial assets, provisions for impairment are made. For separate material financial assets, impairment test needs to be conducted separately. If there is any objective evidence of impairment, impairment loss will be recognized through profit or loss. For financial assets of which separate amount is of minor significance and for those without ever incurring impairment as tested separately, the Company will conduct impairment test on the credit portfolio according to credibility of customers and the actual circumstances where bad debts were incurred over the years so as to recognize impairment loss.

Objective evidence supporting impairment on financial assets refers to the issues actually incurred upon initial recognition of financial assets, those posing an influence on the estimated future cash flows of financial assets, which can be reliably measured by enterprises.

Objective evidence of impairment on financial asset includes those listed as follows:

- A. Issuers or debtors encounter severe financial difficulties;
- B. Debtors violated terms of contracts, such as a default or delinquency in interest or principal payments;
- C. Creditors, for economic or legal reasons, grant concessions to the debtors with financial difficulties;
- D. Debtors may go into liquidation or conduct other financial reorganization;
- E. Transaction of the financial assets ceases in the active market as the issuer encounters great financial difficulties;
- F. Any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the estimated future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information. If the repayment capability of the debtor of the group of financial assets gradually deteriorates, unemployment rate of the country or region where the debtor is staying increases, prices in regions where collaterals are provided significantly decrease or an industry sentiment turns unfavorable;
- G. Significant and adverse changes have taken place in the technological, market, economic or legal environments in which the debtor operates, making investors of equity instruments difficult to recover the investment cost;
- H. Substantial or non-temporary reduction of the fair value of investment on equity instruments;
- I. Other objective evidence showing signs of impairment on financial assets.

When an impairment of financial assets calculated at amortized cost incurs, impairment loss are calculated on basis of the differences between the present value of estimated future cash flows discounted at carrying value and that discounted by the original actual interest rate.

Upon recognition of the impairment loss on financial assets at amortized cost, if there is objective evidence showing that the value of the financial assets has been restored which objectively relates to the events incurred upon the recognition of loss, the impairment Loss initially recognized will be reversed through profit and loss, yet the carrying value so reversed will not exceed the amortized cost of the financial assets on the date of reversal as if no provision for impairment has been made.

When financial assets available for sale impair in value, the accumulated loss arising from the decrease in fair value which is initially directly included in owner's equity will be transferred out through profit and loss.

## 7. Receivables

Receivables comprise accounts receivable, prepayments and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognized at fair value by the Company in accordance with the consideration receivable from the buyer under contract or agreement. Receivables are presented at amortized cost using the effective interest method net of provision for bad debts.

Receivables that are individually significant are subject to individual impairment assessment (the criteria of individually significant refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB5 million). If there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

For receivables that are not individually significant, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

When the Company transfers the accounts receivable to financial institutions without recourse, the difference between proceeds derived from the transaction, net of the carrying amounts of the accounts receivable and relevant taxes is recognized in profit or loss for the current period.

## 8. Inventories

### (1) Classification of Inventories

Inventories of the Company include raw materials, packaging materials, low-value consumables, work in progress, commodities, sub-contracting materials, consigned commodities and delivered commodities.

### (2) Measurement method for inventories received and delivered

Inventories received are initially recorded at their cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs. Weighted average method is adopted when the inventories are used or delivered.

### (3) Circulation materials shall be one-off amortized in cost expense when using.

### (4) The Company adopts perpetual inventory record system.

### (5) Recognition scope and provision methods for impairment provision of inventory

On each balance sheet date, the Company's inventories are stated at the lower of cost or net realizable value. Provision for diminution in value is made and charged to the current profit and loss by the Company for those inventories of which the expected carrying value is higher than their net realizable value as a result of being rotted or deteriorated, the declining market price of the inventories and failing to recover in the foreseeable future, being wholly or partly obsolete, product upgrading and evolving, etc. Provision for diminution in value of inventories is provided on a standalone basis.

Net realizable value is the estimated selling price of inventories less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale. For the direct saleable commodity inventories, their net realizable value is determined by the amount of estimated selling price of inventories less estimated sale expense and related tax; for material inventories, net realizable value is the estimated selling price of finished goods less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale; for inventories held for performing sale or labor contracts, net realizable value is calculated based on contractual price. Where the quantity of the Company's inventories exceeds that ordered under sale contract, the net realizable value of the surplus inventories is calculated based on general selling price.

Net realizable value of inventories is recognized on each balance sheet date. Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of inventories that has been made. The reversed amount will be included in the current profits and losses.

## 9. Long-term Equity Investment

Long-term equity investment mainly include the equity investment that is able to exercise control, joint control or has significant influences over the investees, or the equity investment that does not do joint control nor have significant influences on the investees and has no offer in the active market, with a fair value which cannot be reliably measured.

- (1) Basis for confirmation of joint control or significant influences
  - (i) Joint control is the contractually agreed sharing of control over an economic activity. Basis for confirmation of joint control include: Any party to the joint venture shall not separately control production and operation activities of the joint venture; the decision concerning the elementary operation activities of the joint venture need unanimous consent from all parties to the joint venture.
  - (ii) Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, but to fail to control or joint control the formulation of such policies together with other parties. Basis for confirmation of significant influence mainly include: when the Company directly or indirectly hold through subsidiaries 20%(inclusive) or above but less than 50% shares with voting rights, it will be recognized as having significant influence on the investees, except that there are clear evidences showing it cannot participate the production and operation decision of the investees thus constituting no significant influence; when the Company hold 20% (exclusive) below shares with voting rights of the investees, it generally will be recognized no significant influence on the investees. It can be recognized as having significant influence on the investees should the following conditions be satisfied:
    - A. Having representatives in the board of directors of investees or equivalent governing body;
    - B. participating in the policy making process of investees;
    - C. Significant transactions occurred with investees;
    - D. Dispatching management staff to investees;
    - E. Providing key technology information to investees.

### (2) Measurement of long-term equity investment

For long-term equity investment acquired by merger of business, the Company will recognize its cost based on the following methods:

For the merger of enterprises under the same control, with payment of cash, transfer of non-cash assets or bearing debt as the consideration of the merger, the initial cost of the long-term equity investment shall be recognized at the share of the book value of the owner's equity of the merged enterprise. The difference between the cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the cost of the long-term equity investment will be recognized at the share of the book value of the owner's equity of the merged enterprise on the date of merger. With the total face value of the shares issued as share capital, the difference between the cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For the merger of enterprises not under same control, the cost of the long-term equity investment will be recognized at the merger cost as determined in accordance with the Accounting Standards for Enterprises No. 20 —Merger of Enterprises.

Apart from the long-term equity investments formed by the merger of enterprises, the cost of a longterm equity investment acquired by other means shall be recognized in accordance with the provisions as follows:

- (i) The cost of a long-term equity investment acquired by payment of cash shall be recognized at the actual purchase price.
- (ii) The cost of a long-term equity investment acquired by issue of equity securities shall be recognized at the fair value of the equity securities issued;
- (iii) The cost of a long-term equity investment invested as an investor shall be recognized at the value stipulated in the investment contract or agreement, other than the unfair value stipulated in the contract or agreement;

- (iv) The cost of a long-term investment acquired by the exchange of non-monetary assets shall be recognized in accordance with the Accounting Standards for Business Enterprises No. 7 —Exchange of Non-monetary Assets.
  - (v) The cost of a long-term equity investment acquired by debt restructuring shall be recognized in accordance with Accounting Standards for Business Enterprises No. 12 —Debt Restructuring.
- (3) Subsequent measurement method and recognition methods of investment income of long-term equity investment
- (i) Long-term equity investments that are accounted for using cost method include: long-term equity investments that can exercise control over the investee; long-term equity investment without control or joint control or significant influence over the investee, without quotation in the active market and whose fair value cannot be measured reliably.  
  
Long-term equity investments accounted for using cost method are measured based on initial investment cost, adjusted according to addition or disposal of investment. Cash dividends or profit distribution are recognized as investment gain when they are declared by investees.
  - (ii) Long-term equity investment with joint control or material impact on the investee is accounted for using equity method. The cost of long-term equity investment which is greater than its share of fair value of the investee's identifiable net assets is stated without adjustment. The shortfall of the cost from its share of fair value of the investee's identifiable net assets is credited to the current profit and loss account against the cost of the long-term equity investment. The fair value of the investee's identifiable net assets is determined in accordance with the Accounting Standards for Business Enterprises No. 20 —Enterprise Merger.

Upon acquiring long-term equity investment by the Company, it shall, in accordance with the attributable share of the net profits or losses of the investee, recognize the investment profits or losses and adjust the book value of the long-term equity investment. The book value of long-term equity investment is reduced by the Company based on its share of the investee's profit or cash dividends as declared.

The net loss from the investment in investee is reorganized to the extent that the book value of the long-term equity investment and other long-term interest in substance in the investee are written down till nil, unless the Company is under an obligation to bear additional loss. In the event that net profit is recorded by the investee in the future, recognition of the Company's share of the investee's net profit may be resumed after recovering its share of unrecognition loss.

The Company's share of the investee's net profit and loss is recognized based on the fair value of identifiable assets of the investee upon acquisition of the investment, subject to an adjustment to the investee's net profit. The Company will recognize investment income based on the carrying amount of net profit of the investee should the following conditions are satisfied:

- A. The Company cannot reasonably ascertain the fair value of identifiable net assets of the investee upon acquisition of the investment.
- B. The difference between the fair value and carrying value of identifiable net assets of the investee is not significant when the investment is made.
- C. The relevant information on the investee cannot be acquired due to other reasons and an adjustment cannot be made for net profit and loss of investee according to regulations.

The financial statements of the investee are subject to adjustment where there is a difference in the accounting policies and accounting periods adopted by the investee with those of the Company in accordance with the latter, upon which the investment gain or loss from the investment is recognized. Changes in shareholders' equity other than the share of the investee's net profit and loss are accounted for with an adjustment to the book value of the long-term equity investment and included into shareholders' equity, and the portion previously included in the owner's equity shall be transferred to the current profits and losses according to a certain proportion.

## 10. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both. Investment properties of the Company include leased land use rights; land use rights held for sale after appreciation; leased buildings.

### (1) Recognition of Investment properties

No investment property shall be recognized unless it meets the following requirements simultaneously:

- (i) The economic benefits pertinent to this investment property are likely to flow into the enterprise;
- (ii) The cost of the investment property can be reliably measured.

### (2) Initial measurement of the investment property

- (i) The cost of a purchased investment property consists of the purchase price, relevant taxes, and other expenses directly related to the asset.
- (ii) The cost of a self-built investment property shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.
- (iii) The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.
- (iv) Subsequent expenditures related to an investment property shall be included to the cost of the investment property if they meet the recognition conditions for investment property; otherwise, if they fail to meet the recognition conditions, they shall be included in the current profits and losses upon occurrence.

### (3) Subsequent measurement of the investment property

The cost method is adopted by the Company for subsequent measurement of investment property measurement on the date of the balance sheet. According to relevant regulations of Accounting Standards for Enterprises No. 4 —Fixed Assets and Accounting Standard for Business Enterprises No. 6 —Intangible Assets, the Company shall make amortization based on straight-line method over the expected useful life or make provision for investment property.

### (4) Conversion of the investment property

Where the Company has well-established evidence to indicate that the purpose of the property has changed, it shall convert the investment property to other assets or visa versa. The book value of the property prior to the conversion shall be entry value after conversion.

## 11. Fixed Assets

### (1) Recognition standards of fixed assets

Fixed assets are tangible assets that are held for using in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives more than one accounting year. No fixed asset shall be recognized unless it meets the following requirements simultaneously:

- (i) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise;
- (ii) The cost of the fixed asset can be measured reliably.

(2) Initial measurement of fixed asset

Fixed assets are measured initially at cost.

- (i) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freights, loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

Where the payment for a fixed asset is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of fixed assets shall be recognized on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 — Borrowing Costs.

- (ii) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.
- (iii) The cost invested to a fixed asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.
- (iv) Subsequent expenses related to fixed assets that are qualified for recognition of fixed assets (such as for renovation) are capitalized in cost of fixed assets, where the carrying amount of the replaced part, if any, is deducted. Expenses that are not qualified for recognition of fixed assets (such as for repair costs related to fixed assets) are recognized based on the amount incurred and charged to the current profit and loss. Improvement expenses on fixed assets leased by way of operating leasing are capitalized as long-term deferred expenses and amortized on a reasonable basis.
- (v) The costs of fixed assets acquired through the exchange of non-monetary assets, debt restructuring, merger of enterprises, and financial leasing shall be respectively ascertained in accordance with the Accounting Standards for Business Enterprises No. 7 — Exchange of Non-monetary Assets, Accounting Standards for Business Enterprises No. 12 — Debt Restructuring, Accounting Standards for Business Enterprises No. 20 — Merger of Enterprises and Accounting Standards for Business Enterprises No. 21 — Leases.

(3) Categories of fixed assets

The fixed assets of the Company include buildings, machine equipment, transportation vehicles, electronic equipment and other equipment.

(4) Depreciation of Fixed assets

- (i) Recognition of the depreciation methods and estimated useful life, estimated residual value and depreciation rate: Fixed assets shall be depreciated by straight-line method. The categories of fixed assets, useful life, estimated residual value and depreciation rate are as follows:

Categories of fixed assets	Estimated useful life (year)	Estimated residual value (%)	Depreciation rate (%)
Buildings	20-30	5	3.17-4.75
Machine and equipment	5-11	3-5	8.636-19.4
Transportation equipment	5-10	3-5	9.5-19.4
Electronic equipment	3-7	3-5	13.57-32.33
Other equipment	5	3-5	19-19.4

Depreciation method for fixed assets with provision for impairment: A fixed asset with provision for impairment is depreciated based on its costs less estimated residual value, the depreciation made and provision for impairment over its remaining useful life.

A fixed asset that has reached its intended use but before the final account for completed project is stated at cost and depreciated based on estimated value, which will be adjusted based on actual cost upon the final account for completed project without adjustment to the depreciation already made.

- (ii) Review of useful life, estimated net residual value and depreciation method for fixed assets: The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, any change of which is accounted for as a change in an accounting estimate. The useful life of fixed assets is subject to adjustment based on the change, if any, as compared to the original estimate. The estimated net residual value is subject to adjustment based on the change, if any, as compared to the original estimate. The depreciation method applied is subject to change where there arises a significant change in the expected realization mode of economic benefit related to the fixed assets. Any change in the useful life, estimated net residual value and depreciation method of a fixed asset shall be accounted for as a change in accounting estimate.

(5) Treatment of subsequent expenses related to fixed assets

Subsequent expenses related to fixed assets mainly include repair expense, renovation expense, repair costs, decoration expenses and so on that incur in the course of use of fixed assets. In accounting, subsequent expenses related to fixed assets that are qualified for recognition of fixed assets (such as for renovation) are capitalized in cost of fixed assets, where the carrying amount of the replaced part, if any, is deducted. Expenses that are not qualified for recognition of fixed assets (such as for repair costs related to fixed assets) are recognized based on the amount incurred and charged to the current profits and losses. Decoration expenses related to fixed assets that are qualified for recognition of fixed assets are accounted for in a separate subsidiary account under "Fixed assets", and are depreciated separately on a straight-line basis over the lower of the period between two decorations and the remaining useful life of fixed assets.

Improvement expenses on fixed assets leased by way of operating leasing are capitalized as long-term deferred expenses and amortized on a reasonable basis.

(6) Fixed assets acquired under finance leases

- (i) Recognition basis for fixed assets acquired under finance leases

Where a lease satisfies one or more of the following criteria, it shall be recognized as finance lease:

- A. The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- B. The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option is exercised. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the Company.
- C. Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (generally refers to 75% or above).
- D. In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value (generally refers to 90% or above, the same as follow) of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.
- E. The leased assets are of a specialized nature that only the Company (the lessee) can use them without making major modifications.

(ii) Measurement method for fixed assets acquired under finance leases

On the lease beginning date, the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date will be recorded as the entry value of leased assets, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement (the same below) shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessee cannot obtain the lessor's interest rate implicit in the lease and no interest rate is provided in the lease agreement, the lessee shall adopt the borrowing interest rate of the bank for the same period as the discount rate.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period.

The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rents shall be charged to profit or loss in the period in which they are actually incurred.

(iii) Depreciation method for fixed assets acquired under finance leases

In calculating the depreciation of a leased asset, the Company should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the Company. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

## 12. Construction in Progress

Construction in progress is categorized by projects and measured at actual cost. The actual cost comprises construction costs, other costs necessarily incurred to bring construction to get ready for its intended use, as well as borrowing costs that are eligible for capitalization until the assets are ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. If a constructed fixed asset has reached the working condition for its intended use but the final project accounts have not been completed and approved, it will be accounted for at estimated value. An adjustment shall be made upon actual cost is determined.

## 13. Intangible Assets

(1) Recognition scope of intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. No intangible asset shall be recognized unless it meets the following requirements simultaneously:

- (i) Meet the definition of intangible assets;
- (ii) The economic benefits pertinent to the assets are likely to flow into the Company;
- (iii) The cost of the asset can be measured reliably.

(2) Initial measurement of intangible assets

Intangible assets are measured initially at cost. Actual cost is determined according to following principles:

(i) The cost of purchased intangible assets shall include the purchase price, relevant taxes and other necessary expenditure directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is equivalent to financing in nature, the cost of intangible assets shall be determined on the basis of the present value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17 — Borrowing Costs.

(ii) The cost invested to an intangible asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

(iii) The cost of self-developed intangible assets

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase. Expenditure in research stage was recorded in the profit and loss of the current period at occurrence. Expenditure in research stage for internal research and development projects will be recognized as intangible assets should they satisfy the following conditions simultaneously:

- A. It is feasible technically to complete such intangible assets for use or sale;
- B. It is intended to complete, use or sell the intangible assets;
- C. The methods for intangible assets to generate economic benefits include being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself. Should the intangible assets be used internally, its usefulness shall be approved;
- D. There are sufficient technologies, financial resources and other resources supporting the development of the intangible assets. And the Company is able to use or sell such intangible assets;
- E. The expenses in the development phase of the intangible assets can be reliably measured.

The cost of self-developed intangible assets shall include the total expenditures incurred during the period from the time when it meets the provisions for recognition of intangible assets to the time when the expected purposes of use are realized, except that the expenditures which have already been treated prior to the said period shall not be adjusted.

(iv) The costs of intangible assets acquired from non-monetary assets transaction, debt restructurings, government subsidies, and merger of enterprises shall be determined respectively according to the Accounting Standards for Business Enterprises No. 7 — Exchange of Non-monetary Assets, Accounting Standards for Business Enterprises No. 12 — Debt Restructurings, Accounting Standards for Business Enterprises No. 16 — Government Grants and Accounting Standards for Business Enterprises No. 20 — Merge of Enterprises.

(3) Subsequent measurement of intangible assets

The Company shall analyze and judge the service life of intangible assets upon acquiring it. As for the intangible assets with limited service life, the Company shall estimate its service life, or the amount of the output or any other similar measurement unit, which constitutes its service life. If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with an indefinite useful life. As at the end of the year, the Company has no intangible assets with an indefinite useful life.

With regard to intangible assets with definite useful life, its amortization amount shall be amortized within its useful life systematically and reasonably. The Company adopted straight-line method for amortization.

The reasonable amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. Amortized amount of intangible assets shall be included into current profits and losses.

**14. Goodwill**

Goodwill refers to the excess of merger costs over the fair value of the identifiable net assets acquired from the acquiree during the merger of enterprises not under same control. The goodwill upon initial measurement shall be measured on the basis of its costs minus the accumulative impairment loss and shall not be amortized and conduct impairment test at the end of the period.

**15. Long-Term Prepaid Expenses**

Long-term prepaid expenses refers to expenses occurred but shall be amortized over the current period and subsequent periods with amortization period over 1 year (excluding 1 year). Long-term prepaid expenses is accounted for at actual expense, and amortised evenly over the benefit period.

**16. Impairment of Assets**

(1) Impairment of assets mainly involve long-term equity investment (excluding the long-term equity investment which does not exercise joint control nor have significant influences on the investee, and has no quotation in the active market and whose fair value cannot be reliably measured), investment properties (excluding investment properties measured at fair value), fixed assets, construction in progress, intangible assets (excluding capitalized development expense) and goodwill, etc.

(2) Recognition of Assets with Potential Impairment

The Company shall, on the balance sheet date, make a judgment on whether there is any sign of possible assets impairment. No matter whether there is any sign of possible assets impairment, goodwill acquired in the merger of enterprise and intangible assets with indefinite useful period shall be made impairment test at each year-end. There may be an impairment of assets when one of the following signs occurs:

- (i) The current market price of assets falls significantly, beyond the expectation based on the advance of time or normal use;
- (ii) Significant changes have taken place or will take place in the near future in the economic, technological or legal environment in which the Company operates or in the market in which the fixed assets is located, thus exerting an adverse effect on the Company;
- (iii) Market interest rates or any other investment return rate have increased significantly during the period, thus affecting the discount rate used in calculating the asset's the present value of the expected future cash flows and resulting in a material decrease in the fixed asset's recoverable amount;
- (iv) Any evidence shows that the assets have become obsolete or physical damage occurred;
- (v) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (vi) Any evidence in the internal report of the Company shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit realized is lower than the expected amount, etc.;
- (vii) Other circumstances indicate that the asset may have been impaired.

(3) Measurement of Recoverable Amount of the Assets

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined as the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

(4) Recognition of Asset Impairment Losses

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as asset impairment loss through the current profits and losses. Meanwhile, a provision for the asset impairment shall be made accordingly. Upon the reorganization of asset impairment loss, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net residual value) within the remaining service life of the asset. Any impairment loss recognized shall not be reversed in subsequent accounting periods.

(5) Where there is any evidence indicating a possible impairment of assets, the Company shall estimate the recoverable amount based on single asset.

(6) Impairment of goodwill

For goodwill formed by merger of enterprises, the Company shall carry out an impairment test at least at the end of each year. The goodwill shall, together with the related asset group or sets of asset group, be subject to the impairment test. For the purpose of impairment test of assets, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill, and treat them according to provisions of assets group impairment hereof.

## 17. Borrowing Costs

(1) Recognition principles for borrowing cost capitalization

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (i) Capital expenditure has been incurred;
- (ii) The borrowing costs have been incurred;
- (iii) It has commenced the acquisition and construction or production activities which enable the assets reach the working condition for its intended use or sale.

(2) Period of capitalization of borrowing cost

The period of capitalization refers to the period starting from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

Where acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended by the Company. The borrowing costs incurred during these periods shall be recognized as expenses for the current period until the acquisition, construction or production of a qualifying asset is resumed. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

Capitalization of borrowing cost shall be ceased when acquisition, construction or production of the qualifying asset has prepared for its intended use or sale. The borrowing costs incurred after the qualifying asset is ready for the intended use or sale shall be charged to current profit or loss when incurred.

(3) Measurement method for the amount of borrowing cost capitalization

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization with discounts or premiums) in each accounting period shall be determined according to the following provisions:

- (i) As for the specific borrowings for the acquisition and construction or production of assets qualifying for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred on the current specific borrowings minus the income of interests earned from the unused borrowings by depositing it in the bank or investment income from such borrowing by making it as a temporary investment.
- (ii) Where a general borrowing is used for the acquisition and construction or production assets qualifying for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average value of the accumulative expenditures to asset minus the specific borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined based on the effect interest method and an adjustment shall be made to the amount of interests in each period. During the period of capitalization, the to-be-capitalized amount of interests during each accounting period shall not exceed the amount of interest actually incurred for the relevant borrowings in the current period.

For the ancillary expense incurred to a specifically borrowed loan, those incurred before acquisition, construction or production of the qualifying asset has prepared for its intended use or sale, it shall be capitalized based on the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization. Those incurred after acquisition, construction or production of the qualifying asset has prepared for its intended use or sale, shall be recognized as expenses based on the incurred amount when they are incurred, and shall be recorded into the current profit and loss. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the current profit and loss.

**18. Employee Benefits**

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds, compensation for employee demission and other expenditures incurred in exchange for service rendered by employees. Save as above, the Company has no other significant employee benefits commitment.

Employee benefits are recognized as a liability in the accounting period in which an employee has rendered service, and as costs of assets or expenses to whichever the employee service is attributable.

**19. Share-based Payments**

- (1) The equity-settled share-based payments
  - (i) The equity-settled share-based payment in return for employee services or similar services provided by other party shall be measured at the fair value of the equity instruments granted to the employees and other party.
  - (ii) As to an equity-settled share-based payment in return for services of employees or similar services provided by other party, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.
  - (iii) The Company shall, after the exercise date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been recognized.
  - (iv) On the exercise date, the Company shall, based on the number of the equity instruments actually exercised, calculate and determine the amount to be transferred in the paid-in capital or share capital, and transfer it into the paid-in capital or share capital.

- (2) The cash-settled share-based payments
- (i) The cash-settled share-based payments is measured at the fair value of liabilities born by the Company.
  - (ii) As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly.
  - (iii) As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.
  - (iv) Subsequent measurement
    - A. If, on the balance sheet date, the subsequent information indicates that fair value of the current liability undertaken by the Company are different from the previous estimates, an adjustment shall be made and on the exercise date the estimate shall be adjusted to equal the actually exercisable right.
    - B. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

## 20. Provisions

Provisions for product warranties and onerous contracts are recognized when the Company has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 21. Revenue

- (1) Recognition method for the revenue from selling goods

No revenue from selling goods may be recognized unless the following conditions are met simultaneously:

- (i) The major risks and rewards attached to ownership of the goods have been transferred to the buyers by the Company;
- (ii) The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
- (iii) A reliable measurement can be made to the amount of the revenue;
- (iv) The relevant economic benefits are likely to flow into the Company;
- (v) A reliable measurement can be made to the relevant costs incurred or to be incurred.

- (2) Recognition method for the provision of service

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the provision of labor services, it shall recognize the revenue from provision of services employing the percentage-of-completion method. The Company ascertained the completion schedule of transaction concerning the provision of labor services according to the proportion of the labor services provided against the total labor services to be provided.

If the Company cannot, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the provision of labor services, it shall be treated as follows, respectively:

- (i) If the cost of labor services incurred is expected to be compensated, the revenue from the provision of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount.
  - (ii) If the cost of labor services incurred is not expected to be compensated, the cost incurred should be included in the current profit and loss, and no revenue from the provision of labor services may be recognized.
- (3) Recognition method for the revenue from abalienating use rights of assets
- (i) Recognition principles for the revenue from abalienating use rights of assets  
  
The revenue from abalienating use rights of assets consists of interest revenue and royalty revenue. It may not be recognized unless the following conditions are met simultaneously:
    - A. The relevant economic benefits may flow into the Company;
    - B. A reliable measurement can be made to the amount of the revenue.
  - (ii) Specific recognition method
    - C. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's cash is used by others and the actual interest rate.
    - D. The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

## 22. Construction Contract

- (1) If the outcome of a construction contract can be estimated in a reliable way, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. The term "percentage-of-completion method" means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project. The Company ascertained the completion schedule of a contract project according to the proportion of the completed contract work against the expected total contract work.

The outcome of a fixed price contract can be estimated in a reliable way subject to the following basis: 1) The total contract revenue can be measured in a reliable way; 2) The economic benefits pertinent to the contract are likely flow into the Company; 3) The actual contract costs incurred can be clearly distinguished and measured reliably; 4) Both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

The outcome of a cost plus contract can be estimated in a reliable way subject to the following basis: 1) The economic benefits pertinent to the contract are likely flow into the Company; 2) the actual contract costs incurred can be clearly distinguished and can be measured in a reliable way.

- (2) If the outcome of a construction contract can not be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: 1) If the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be acknowledged as contract expenses in the current period when they are incurred; 2) If the contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized.

## 23. Government Subsidies

- (1) Recognition conditions of government subsidies

No government subsidies may be recognized unless the following conditions are met simultaneously as follows:

- (i) The Company can meet the conditions attached to the government subsidies;
- (ii) The Company can obtain the government subsidies.

- (2) Measurement of government subsidies
- (i) If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is non-monetary asset, it shall be measured at its fair value. If it's fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB1.00).
  - (ii) The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized. Those subsidies used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profits and losses.
  - (iii) If it is necessary to refund any government subsidies which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses. If there is no deferred income concerned to the government subsidies, it shall be directly included in the current profits and losses.

#### 24. Exchange of Non-monetary Assets

- (1) The fair value of the assets and relevant payable taxes shall be regarded as the transaction cost, and the difference between the fair value and the carrying value of the asset surrendered shall be recorded into the profit or loss of the current period.
- (i) Non-monetary assets shall be recognized and measured, where a non-monetary assets transaction satisfies the following conditions at the same time:
    - A. The transaction is commercial in nature;
    - B. The fair value of the assets received or surrendered can be measured reliably.
  - (ii) Selection of fair value: If the fair value of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable.
  - (iii) Treatment when a boot incurred: where a boot is caused when the Company treats the fair value and relevant payable taxes as the cost of the assets received, the boot shall be accounted for according to the following circumstances, respectively: the Company, which pays the boot, shall record the difference between the cost of the assets received and the sum of the carrying value of the assets surrendered plus the paid boot and relevant payable taxes into the profit or loss of the current period; the Company, which receives the boot, shall record the difference between the costs of the assets received plus the received boot and the carrying value of the assets surrendered plus relevant payable taxes into the profit or loss of the current period.
- (2) Where any non-monetary assets transaction does not meet such conditions at the same time, the carrying value and relevant payable taxes of the assets surrendered shall be the cost of the assets received and no profit or loss is recognized.

Where a boot is caused when the Company treat the carrying value of the surrendered assets and the relevant payable taxes as the cost of the received assets, the boot shall be accounted for according to the following circumstances, respectively: the Company, which pays the boot, shall treat the result of the carrying value of the assets surrendered plus the paid boot and relevant payable taxes as the cost of the assets received, and no profit or loss may be recognized. The Company, which receives the boot, shall treat the result of the carrying value of the assets surrendered minus the received boot and plus relevant payable taxes as the cost of the assets received, and no profit or loss may be recognized.

## 25. Debt Restructuring

### (1) Definition and scope of debt restructuring

The term "debt restructuring" refers to an event in which the terms of a debt are given in as a result of a mutual agreement between a debtor and a creditor or a judgment of a court when the debtor gets into a financial problem.

### (2) Accounting treatment of debtors

- (i) When a debt is liquidated by cash, the debtor shall include the difference between the book value of the debt to be restructured and the actual cash payment into the current profits and losses. When a debt is liquidated by a non-cash asset, the debtor shall include the difference between the book value of the debt to be restructured and the fair value of the non-cash asset transferred into the current profits and losses. The difference between fair value of the non-cash asset transferred and its book value shall be included in the current profits and losses. When a debt is converted into capital, the debtor shall recognize the total par value of shares, to which the creditor becomes entitled for waiver of the credit, as stock of capital (or paid-in capital) and shall recognize the difference between the total amount of the fair value of the shares and the stock of capital (or paid-in capital) as capital reserve. The difference between the book value of the debt to be restructured and total amount of the fair value of the shares shall be included in the current profits and losses.
- (ii) Where other terms of a debt are modified, the debtor shall regard the post modification fair value of the debt as the entry value of the restructured debt, and shall include the difference between the book value of the debt to be restructured and the entry value of the restructured debt in the current profits and losses. Where a debt restructuring is made by a combination of the liquidation of a debt by cash, the liquidation of a debt by non-cash asset, the conversion of a debt into capital, and the modification of other terms of a debt, the debtor shall offset, one by one, the cash paid, the fair value of the non-cash asset transferred, and the fair value of the shares to which the creditor becomes entitled, against the book value of the debt to be restructured, then handle it in accordance with provisions of modification of other terms of a debt.

If the post-modification terms of a debt concern any contingent payment and if the contingent payment meets the conditions for the recognition of expected liabilities as prescribed in Contingencies, the debtor shall recognize the contingent sum payable as expected liability, and shall include the difference between the book value of the debt to be restructured and the aggregate amount of the entry value of the restructured debt and the expected amount of liability in the current profits and losses.

### (3) Accounting treatments of the creditor

- (i) When a debt is liquidated by cash, the creditor shall include the difference between the book balance of the debt to be restructured and the cash received in the current profits and losses. If the creditor has made provision for the impairment of the credit, he shall first offset the aforesaid difference against the impairment provision, then include the shortfall in the current profits and losses. When a debt is liquidated by non-cash asset, the creditor shall recognize the fair value of the non-cash asset received as the entry value and shall handle the difference between the book balance of the debt to be restructured and the fair value of the non-cash asset received in accordance with provisions of liquidation of a debt by cash. When a debt is converted into capital, the creditor shall recognize the fair value of the shares to which it becomes entitled as investment to the debtor and shall handle the difference between the book balance of the debt to be restructured and the fair value of the shares in accordance with provisions of liquidation of a debt by cash.
- (ii) When other terms of a debt are modified, the creditor shall recognize the fair value of the credit after the modification of other terms of the debt as the book value of the restructured debt and shall handle the book balance of the debt to be restructured and the book value of the restructured debt in accordance with provisions of liquidation of a debt by cash. Where a debt restructuring is made by a combination of the liquidation of a debt by cash, the liquidation of a debt by non-cash asset, the conversion of a debt into capital and the modification of other terms of a debt, the creditor shall offset, one by one, the cash received, the fair value of the non-cash asset received, and the fair value of the shares to which the creditor becomes entitled, against the book balance of the debt to be restructured, then handle it in accordance with provisions of modification of other terms of a debt.

If the post-modification terms of the debt concern any contingent sum receivable, the creditor shall not recognize the contingent sum receivable, nor he include it in the book value of the restructured debt.

## 26. Leases

### (1) Classification of Leases

The Company classifies a lease as a finance lease or an operating lease on inception date of the lease.

### (2) Recognition standard of finance lease and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

- (i) The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- (ii) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised.
- (iii) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset (75% or above, typically).
- (iv) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially (typically, 90% or above, the same below) all of the fair value of the leased asset on the lease beginning date; In the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.
- (v) The leased assets are of a specialized nature that only the Company (or the lessee) can use them without making major modifications.

The term "operating lease" shall refer to a lease other than a finance lease.

### (3) Main accounting treatment of finance lease

#### (i) Accounting treatments of lessees

On the lease beginning date, the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date shall be recorded as the entering value in an account, recognize the amount of the minimum lease payments as the book value of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs (the same below) such as commissions, attorney's fees and travelling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessor's interest rate implicit in the lease cannot be obtained and no interest rate is provided in the lease agreement, the borrowing interest rate of the bank for the same period shall be adopted as the discount rate.

In the case of the unrecognized financing charge, the effective interest rate method shall be adopted to calculate and recognize the financing charge in the current period.

In calculating the depreciation of a leased asset, the Company adopts a depreciation policy for leased assets consistent with that for fixed assets which are owned by the Company. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rents shall be charged to profit or loss in the period in which they are actually incurred.

(ii) Accounting treatments of lessors

On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the finance lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income.

In respect of the unrealized financing income, the effective interest rate method shall be adopted for recognizing current financing income during the lease term.

Contingent rents shall be charged to profit or loss in the period in which they are actually incurred.

(4) Main accounting treatment of operating lease

The rents from operating leases shall be recorded by the lessor and lessee in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred by a lessor and lessee shall be recognized as the profits and losses of the current period. Contingent rents shall be recognized through the current profit and loss.

## 27. Income Taxes

(1) Income taxes of the Company shall be accounted for using balance sheet liability method.

(2) Where the Company obtains assets or liabilities, it shall determine its tax base. Where there is difference between the carrying amount of the assets or liabilities and its tax base, the deferred income tax assets or the deferred income tax liabilities shall be recognized according to the provisions.

(3) Recognition of deferred income tax assets

(i) The Company recognizes deferred tax assets arising from deductible temporary difference but the amount is limited to the taxable income that the Company can possibly obtain to deduct the deductible temporary differences. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

A. The transaction is not a merger of enterprise;

B. At the time of the transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

(ii) Where the deductible temporary difference related to the investments in subsidiaries, associated companies and joint venture companies can meet the following requirements simultaneously, the Company shall recognize the corresponding deferred income tax assets:

A. The temporary differences are likely to be reversed in the foreseeable future;

B. It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

(iii) Any deductible loss or tax deduction that can be carried forward to the next year in accordance with the tax law shall be deemed as deductible temporary difference, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

- (4) Recognition of deferred income tax liabilities
- (i) Except deferred tax liabilities incurred in the following transactions, the Company recognizes all taxable deferred tax liabilities arising from the temporary difference:
- A. Initial recognition of goodwill;
- B. Initial recognition of assets or liabilities created in the transactions with the following characteristics:
- a. The transaction is not a corporate merger;
- b. When the transaction occurs, neither of the accounting profit and taxable income (or deductible loss) is not affected.
- (ii) As for the taxable temporary differences related to the investments in subsidiaries, associated enterprises and joint venture enterprises, the Company shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded:
- A. The investing enterprise can control the time of the reverse of temporary differences;
- B. The temporary differences are unlikely to be reversed in the foreseeable future.
- (5) Measurement of income taxes
- The income taxes of the current period and deferred income tax of the Company shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances:
- (i) Merger of enterprises;
- (ii) The transactions or events directly recognized as the owner's equity.
- (6) Impairment of deferred income tax assets
- (i) On the balance sheet date, the book value of deferred tax assets is reviewed. If the Company cannot possibly obtain sufficient taxable income in future to offset the benefits of deferred tax assets, the book value of deferred tax assets is reduced accordingly. Income taxes of the current period shall be reduced in other circumstances other than the fact that the part of deferred income tax assets shall be included in owner's equity for recognition and its amount reduced shall be also included in owner's equity.
- (ii) Where it is likely to obtain sufficient taxable income, the book value of deferred tax assets reduced can be recovered.

## V Statement of Main Accounting Policies, Change in Accounting Estimate and Correction of Previous Errors

### 1 Statement of change in accounting policy

There is no change on accounting policy of the Company during this accounting period.

### 2 Change in Accounting Estimate and Correction to Previous Errors

There is no change in accounting estimate and correction to previous errors of the Company during this accounting period.

## VI Tax

### 1 Value-added tax

Value-added tax is applicable to the Company's revenue from sales of goods. The sales tax rate for domestic sales of goods is 17%.

The value-added tax paid for purchase of raw materials etc. can be offset against sales tax. The tax rate is 17%. Of this tax, application can be made for refund of the duty paid for export of products, and the refund tax rate for export is 13% and 17%

The assessable amount of value-added tax is the balance after current import duty is deducted by current sales tax.

### 2 Sales Tax

Sales tax is applicable to the Company's revenue from lease of premises, construction and installation, etc.

Of this tax, the tax rate of revenue from lease of premises is 5%, while the tax rate of revenue from construction and installation is 3%.

### 3 Urban development tax and education surcharge

The Company's urban development tax and education surcharge are calculated on the basis of the assessable amount of value-added tax and sales tax. The applicable tax rates are 7% and 3%-5% respectively.

### 4 Enterprise income tax

The Company is recognized by Jiangsu Provincial Science and Technology Commission as a high-tech enterprise on 30 September 2011 with the effective period for 3 years and the Company was issued a high-tech enterprise certificate (Certificate No. GF201132000407). Accordingly, the Company enjoys a preferential tax policy of 15% from 1 January 2011 to 31 December 2013 according to the relevant requirement of Article 28 of the Law of the People's Republic of China on Corporate Income Tax.

The applicable enterprise income rate for subsidiaries of the Company is 12.5%, 15%, 16.5% and 25% respectively.

Nanjing Panda Information Industry Co., Ltd, a subsidiary of the Company, is registered in Jiangning Economic and Technological Development District. As a foreign invested enterprise, it is entitled to a two year exemption from income taxes followed by three years of a 50% tax reduction. Year 2012 is the third year of three years of a 50% tax reduction and the applicable tax rate is 12.5%.

Nanjing Panda Appliance & Apparatus Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011 with the effective period for 3 years and was issued a high-tech enterprise certificate (Certificate No. GF201132000336). Accordingly, it shall pay income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Huage Appliance and Plastic Industrial Co., Ltd., a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 30 September 2011, with an effective period of 3 years and was issued a high-tech enterprise certificate (Certificate No. GF201132000917). Accordingly, it shall pay income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Panda Communications Technology Co, Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011, with an effective period of 3 years and was issued a high-tech enterprise certificate (Certificate No. GF201132000357). Accordingly, it shall pay income taxes by 15% of taxable income from 1 January 2011 to 31 December 2013.

Nanjing Panda Mechanical Manufacturing Co., Ltd., a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 13 December 2010, with an effective period of 3 years and was issued a high-tech enterprise certificate (Certificate No. GR201032000645). Accordingly, it shall income taxes by 15% of taxable income from 1 January 2010 to 31 December 2012.

Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011, with an effective period of 3 years Accordingly, it shall pay income taxes by 15% of taxable income for 2012.

Galant Limited, a subsidiary of the Company, registered in Hong Kong, the applicable rate is 16.5%.

## 5 Real property tax

Tax is calculated on the basis of 70% of the original value of the Company's real property. The applicable tax rate is 1.2%.

In addition, if premises are leased, tax is calculated on the basis of the revenue from the lease of such premises. The applicable tax rate is 12%.

## 6 Other taxes

Other taxes are calculated and paid in accordance with relevant specific regulations of the State.

# VII Merger of enterprises and consolidated financial statements

## 1 Merger of enterprises

### (1) Merger of enterprises under same control

#### (i). Definition of merger of enterprises under same control

Where that enterprises involved in the merger are under the ultimate control of same party or parties before and after the merger and the control is not temporary, it shall be merger of enterprises under same control. Merger of enterprises under same control of the Company shall be judged in accordance with the following bases:

- A. Parties of the merger are under the ultimate control of the group company before and after the merger;
- B. Before the merger, parties of the merger under the control of the group company for over 1 year (including 1 year), and the reporting subject after the merger of enterprises is also under the control of the group for over 1 year (including 1 year). Those satisfying the two conditions above shall be defined as merger of enterprises under same control by the Company.

In a merger of enterprises under same control, the party which acquired control right over other parties of the merger on the merger date is the merging party, the other enterprise(s) involved in the merger is (are) the merged parties.

#### (ii). Basis for determination of the merger date

Merger date refers to the date when the Company actually acquires the control right of the merged parties, i.e. the date when the control right of net assets or production and operation decisions of the merged parties is transferred to the Company. The control right transfer shall be identified if it satisfies the following conditions:

- A. Agreement on merger of enterprises has been approved by shareholders' general meeting;
- B. Where merger of enterprises shall be materially approved by relevant authorities of the State, the approval has been obtained from relevant authorities;
- C. Parties participating in the merger have gone through necessary handover procedures of properties;
- D. The Company has paid most of the merger consideration (typically, above 50%), and is capable of paying the remaining balance;
- E. The Company has actually controlled financial and operating policies of the merged parties, shared corresponding benefits and bore related risks.

- (iii). Recognition of book value of assets and liabilities acquired in the merger as well as treatment of the merger difference.

Assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merged party on the merger date. Where difference arises from the book value of net assets acquired by the Company and that of the merger consideration (total nominal value of the shares), capital reserves shall be adjusted; where capital reserves are not enough for offset, retained earnings shall be adjusted.

- (iv). Treatment method of the merger expenses

All direct relevant expenses incurred to the Company for the merger of enterprises, including auditing fees and assessment fees and legal fees, shall be included in the current profit and loss at occurrence.

(2) Merger of enterprises not under same control

- (i). Definition of merger of enterprises not under same control

Where enterprises involved in the merger are not under ultimate control of the same party or parties before and after the merger, it shall be merger of enterprises not under same control. In a merger of enterprises not under same control, the party which acquires control rights of other enterprise(s) on the acquisition date is the acquirer, the other enterprise(s) is (are) the acquiree.

- (ii). Basis for the determination of the acquisition date

The acquisition date refers to the date when the Company actually acquires the control right of the acquiree (acquirees), i.e. the date when the control right of net assets or production and operation decisions of the acquiree (acquirees) is transferred to the Company. Basis for determination of the acquisition date is the same as determination of the merger date.

- (iii). Determination of the merger cost

A. In a merger of enterprises through one swap transaction, the merger cost shall be assets paid, and liabilities incurred or borne by the Company for acquiring the control right of the acquiree (acquirees) on the acquisition date and fair value of the issued equity securities.

B. In a merger of enterprises through several swap transactions, the transaction cost of prior acquired shares should be revalued by the fair value of acquisition date. The difference between cost on book and fair value should be booked in investment gain or loss.

C. Where future events with possible impact on the merger cost are specified in the merger contract or agreement, and future events are likely to occur as estimated on the acquisition date and the amount of the impact on the merger cost can be reliably measured, the Company shall include them in the merger cost.

- (iv). Treatment method of the merger expenses

All direct relevant expenses incurred to the Company for the merger of enterprises, including auditing fees and assessment fees and legal fees, shall be included in the current profit and loss at occurrence. Expenses including handling charges and commission paid for issuing corporate bonds or bearing liabilities for the merger of enterprises shall be included in the amount of initial measurement of the issued corporate bonds and other liabilities.

Assets paid, and liabilities incurred and borne for the merger of enterprises by the Company on the acquisition date shall be measured at fair value, with difference between fair value and its book value being recorded into the current profit and loss.

(v). Distribution of the merger cost

The Company distributed the merger cost on the acquisition date, and recognized all identifiable assets, liabilities and contingent liability acquired from the acquiree (acquirees).

- A. the Company recognizes the difference from the merge cost above the share of fair value of identifiable assets acquired from the acquiree (acquirees) in the merger as goodwill;
- B. the Company treats the difference from the merge cost below the share of fair value of identifiable assets acquired from the acquiree (acquirees) in accordance with the following provisions: first, the measurement of fair value of all identifiable assets, liabilities and contingent liabilities acquire from the acquiree (acquirees) shall be reviewed; where the merger cost subsequent to review is still below the share of fair value of identifiable assets acquired from the acquiree (acquirees), its difference shall be recorded into the current profit and loss.
- C. Recognition principle for fair value of identifiable assets of the acquiree (acquirees)

Fair value of identifiable net assets of the acquiree (acquirees) is the balance of the fair value of the identifiable assets acquired from the acquiree (acquirees) in the merger minus liabilities and contingent liabilities.

(3) Merger by absorption

Should the Company have merger by absorption, the book value of assets and liabilities acquired in the merger shall be recognized through the following methods:

- (i). As for the merger by absorption under same control, assets and liabilities acquired by the Company on the merger date shall be recognized as per the original book value of such assets and liabilities in the acquiree (acquirees). If the accounting policy adopted by the acquiree (acquirees) is inconsistent with the Company, on the principle of materiality, the Company shall adjust the fair value of relevant assets and liabilities of the acquiree (acquirees) in accordance with the Company's accounting policy based on which the Company shall recognize the book value of assets and liabilities acquired in the merger.
- (ii). As for the merger by absorption not under same control, all the assets and liabilities which meet the recognition requirements acquired by the Company on the merger date shall be recognized as assets and liabilities of the Company at its fair value.

**2 Consolidated financial statements**

(1) Consolidation scope

(i). Recognition principle

Recognition of the consolidation scope of the consolidated financial statements is based on control. The term "control" means that the Company has the power to decide an investee's financial and operating policy, pursuant to which, the Company can get the power to obtain benefits from its operating activities. Where the Company accounts for more than 50% (excluding 50%) of total capital carrying voting rights of the investee or accounts for less than 50% of total capital carrying voting rights of the investee but has effective control, such investee shall be included in the consolidation scope.

## (ii) Major subsidiaries and determination of consolidation scope for 2012

Company name	Registration address	Nature of business	Registered capital (RMB'000)	Business scope
<b>I. Subsidiaries acquired from merger of enterprises under same control</b>				
Nanjing Panda Mechanical and Electrical Equipment Factory	Nanjing	Service	4,500	Manufacture and sales of electronic products, communication equipment, appliance and apparatus.
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Nanjing	Manufacture	1,000	Research, Development, Manufacturing and sales of logistic supporting equipment and automatic fare collection equipment
Nanjing Panda Communications Technology Co., Ltd	Nanjing	Manufacture	5,000	Research, manufacture and sales of radio broadcasting and TV transmitting equipment
<b>II. The subsidiaries acquired otherwise</b>				
Nanjing Panda Appliance & Apparatus Co., Ltd	Nanjing	Manufacture, software	100	Production, development and sale of testing appliance; design and installation of electronic information system
Nanjing Panda Mechanical Manufacturing Co., Ltd.	Nanjing	Manufacture	1,000	Metal components and stamping parts
Nanjing Panda Accurate Machinery Co., Ltd	Nanjing	Manufacture	500	Production of equipment and spare parts for electronic industry; processing of sophisticated machinery
Nanjing Panda Technology Equipment Co., Ltd.	Nanjing	Manufacture	500	Production and installation of production line
Nanjing Panda Machinery Co., Ltd.	Nanjing	Manufacture	300	Processing and manufacturing of mechanical parts
Nanjing Panda Information Industry Co., Ltd.	Nanjing	Manufacture	USD2,300	Development, production and sale of electronic information products
Nanjing Panda System Integration Co., Ltd.	Nanjing	Engineering software	300	Development and sales of computer software
Nanjing Panda Electronic Manufacture Co., Ltd	Nanjing	Manufacture	USD2,000	Development and production of new models of electronic products
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Nanjing	Manufacture	6,000	Plastic product & accessories
Nanjing Panda Power Sources Technology Co., Ltd.	Nanjing	Manufacture	1,100	Design, production and sales of power sources and special type power transformer
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Service	1,149.76	Polystyrene products, ABS products
Nanjing Panda International Telecommunication System Co., Ltd.	Nanjing	Manufacture	USD124	Development, production and sale of telephone and telecommunication system
Nanjing Panda Electronics Equipment Co., Ltd.	Nanjing	Manufacture	5,000	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories
Nanjing Panda Xinxing Industrial Co., Ltd.	Nanjing	Service	2,000	Property management and sales of mechanical, electronic products, construction materials and office supplies
Nanjing Panda Electronic Technology Development Company Limited	Nanjing	Manufacture	25,000	General purpose equipment, software development, and property management
Galant Limited	Hong Kong	R&D of communication products	HKD1	R&D of communication products

Company name	The Company's actual investment (RMB0'000)	Balance of other items effectively constituting net investment in subsidiaries (RMB0'000)	Shareholding percentage (%)	Percentage of voting rights (%)	Whether to consolidate
<b>I. Subsidiaries acquired from merger of enterprises under same control</b>					
Nanjing Panda Mechanical and Electrical Equipment Factory	3,004.20		99.11	100	Yes
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	894.37		70	70	Yes
Nanjing Panda Communications Technology Co., Ltd	5,001.80		100	100	Yes
<b>II. The subsidiaries acquired otherwise</b>					
Nanjing Panda Appliance & Apparatus Co., Ltd	99.27		85.1	85.1	Yes
Nanjing Panda Mechanical Manufacturing Co., Ltd.	700		70	70	Yes
Nanjing Panda Accurate Machinery Co., Ltd	562.79		100	100	Yes
Nanjing Panda Technology Equipment Co., Ltd.	503.19		100	100	Yes
Nanjing Panda Machinery Co., Ltd.	258.22		85.82	85.82	Yes
Nanjing Panda Information Industry Co., Ltd.	15,772.52		100	100	Yes
Nanjing Panda System Integration Co., Ltd.	163.02		54.37	54.37	Yes
Nanjing Panda Electronic Manufacture Co., Ltd	14,825.38		100	100	Yes
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	5,462.28		100	100	Yes
Nanjing Panda Power Sources Technology Co., Ltd.	875		79.55	79.55	Yes
Nanjing Guanghua Electronics Plastic Casings Factory	827.11		100	100	Yes
Nanjing Panda International Telecommunication System Co., Ltd.	765.50		72	72	Yes
Nanjing Panda Xinxing Industrial Co., Ltd.	2,000		100	100	Yes
Nanjing Panda Electronics Equipment Co., Ltd.	5,000		100	100	Yes
Nanjing Panda Electronic Technology Development Company Limited	17,500		100	100	Yes
Galant Limited	USD960		100	100	Yes

(2) Preparation method of consolidated financial statements

(i) Basic preparation method of consolidated financial statements

Based on the financial statements of the parent company and subsidiaries included in the consolidation and in accordance with other relevant information, financial statements are prepared through adjustment in long-term equity investment in subsidiaries after offsetting the parent company's equity capital investment and its share in shareholders' equity of the subsidiaries, material transactions within the Company and transactions between home office and branches. Minority interests shall be presented as "Minority Interests" under the owner's equity in the consolidated balance sheet. Minority interests shall be presented as "Minority Interests" under net profits in the consolidated income statements.

(ii) Treatment method for acquisition or disposal of subsidiaries in the reporting period

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the opening balance of the Company's consolidated balance sheet shall be adjusted in its preparation. For acquisition of subsidiaries not arising from merger of enterprises under same control, the opening balance of consolidated balance sheet needs not adjustment in its preparation. For disposal of subsidiaries during the reporting period, the opening balance of consolidated balance sheet needs not adjustment in its preparation.

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the revenue, expense and profit of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated income statement. For acquisition of subsidiaries not arising from merger of enterprises under same control, the revenue, expense and profit of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated income statement. For disposal of subsidiaries during the reporting period, the revenue, expense and profit of such subsidiaries from the period beginning to the date of disposal are included into the consolidated income statement.

For acquisition of subsidiaries due to merger of enterprises under same control during the reporting period, the cash flows of such subsidiaries from the beginning to the end of the reporting period when the merger occurs are included into the consolidated cash flow statement. For acquisition of subsidiaries not arising from merger of enterprises under same control, the cash flows of such subsidiaries from the date of acquisition to the end of the reporting period are included into the consolidated cash flow statement. For disposal of subsidiaries during the reporting period, the cash flows of such subsidiaries from the period beginning to the date of disposal are included into the consolidated cash flow statement.

(iii) Treatment of different accounting policies or accounting periods between the Company and its subsidiaries

In preparation of consolidated financial statements, the financial statements of the subsidiaries are subject to adjustment where there is a difference in their accounting policies or accounting periods with those of the Company or are required to be separately prepared in accordance with the latter.

(3) Minority interests

(i) Minority interests of subsidiaries

Company name	Closing balance	Opening balance
Nanjing Panda Appliance & Apparatus Co., Ltd	434,636.15	486,504.84
Nanjing Panda Mechanical Manufacturing Co., Ltd.	8,853,357.24	7,061,178.63
Nanjing Panda Machinery Co., Ltd.	511,402.63	500,244.79
Nanjing Panda System Integration Co., Ltd.	1,392,581.96	896,850.54
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	3,890,892.10	6,095,912.42
Nanjing Panda International Telecommunication System Co., Ltd.	(3,698,068.10)	(3,917,822.01)
Nanjing Panda Power Sources Technology Co., Ltd.	(2,725,450.96)	(2,721,227.41)
Total	<u>8,659,351.02</u>	<u>8,401,641.80</u>

## VIII. Notes to Major Items of Consolidated Financial Statements

Unless specified otherwise in the following notes (including the notes to the major items of the financial statements of the Company), the terms "opening balance" and "closing balance" refer to the balances as of 1 January 2012 and 30 June 2012 respectively, and the terms "last period" and "the period" refer to Jan-Jun 2011 and Jan-Jun 2012 respectively.

### 1. Cash and Bank Balances

Item	Closing balance	Opening balance
Cash at hand	<b>855,387.08</b>	1,091,139.29
Bank deposits	<b>328,655,226.38</b>	342,692,230.99
Other cash and bank balances	<b>80,555,116.83</b>	103,105,261.18
Total	<b>410,065,730.29</b>	446,888,631.46

Cash and bank balances includes the following foreign currency-denominated balances:

Item	Closing balance			Opening balance		
	Amount in original currency	Exchange rate	Equivalent amount in RMB	Amount in original currency	Exchange rate	Equivalent amount in RMB
USD	3,210,558.02	6.3249	20,306,458.42	3,052,537.57	6.3009	19,233,733.97
HKD	26,032.75	0.8152	21,221.90	88,061.59	0.8107	71,391.53
EUR	15,447.46	7.8710	121,586.96	116,554.30	8.1625	951,374.47
Total			<b>20,449,267.28</b>			<b>20,256,499.97</b>

(1) The closing balance of restricted other cash and bank balances amounting to RMB80,555,116.83 (end of 2011: RMB103,105,261.18) mainly included deposits for bank acceptance and contract guarantee.

(2) The Company's bank balances included call deposits totaling RMB62,110,000.00 (end of 2011: RMB110,362,876.73).

### 2. Bills Receivable

(1) Details of bills receivable

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	<b>17,933,144.36</b>	15,720,441.55
Total	<b>17,933,144.36</b>	15,720,441.55

(2) The closing balance of bills receivable included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.

(3) The closing balance of the bills receivable was not pledged.

(4) The closing balance of bills receivable that had been endorsed but not yet due is RMB17,650,413.43.

- (5) Details of the five largest debtors of bills receivable that had been endorsed but not yet due at the end of the period listed as follows

Issuer	Date of issue	Due date	Amount	Note
Hebei Far-east Communication System Engineering Co., Ltd	2012.3.19	2012.9.19	1,331,000.00	
Tianjin 712 Radio Communication Co., Ltd.	2012.3.19	2012.9.19	1,000,000.00	
Kubota Agricultural Machinery (Suzhou) Co., Ltd.	2012.4.28	2012.7.25	897,990.91	
Kubota Agricultural Machinery (Suzhou) Co., Ltd.	2012.6.1	2012.8.29	800,000.00	
Gullin Hehua Commence and Trade Co., Ltd.	2012.3.6	2012.8.6	800,000.00	
Total			<u>4,828,990.91</u>	

### 3. Accounts Receivable

- (1) Break-down of accounts receivable by categories

Item	Balance	Closing Balance		Percentage of provision for bad debt %
		Percentage %	Provision for bade debt	
Substantial amount of single account receivable with specific provision (Note 1)	502,383,427.85	73.76	29,444,732.89	5.86
Other unsubstantial amount of accounts receivable with specific provision (Note 2)	178,738,406.30	26.24	23,163,402.38	12.96
Total	<u>681,121,834.15</u>	<u>100.00</u>	<u>52,608,135.27</u>	
Opening Balance				
Item	Balance	Percentage %	Provision for bade debt	Percentage of provision for bad debt %
Substantial amount of single account receivable with specific provision	469,841,032.07	78.05	29,449,607.68	6.27
Other individually unsubstantial amount of accounts receivable with specific provision	132,130,215.76	21.95	23,596,290.10	17.86
Total	<u>601,971,247.83</u>	<u>100.00</u>	<u>53,045,897.78</u>	

Substantial amount of single account receivable refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB5,000,000.00.

Note 1: Substantial amount of single accounts receivable with specific provision.

Name of debtor	Amount	Provision for bade debt	Percentage of provision for bad debt %	Reasons
Pandigital,inc	168,303,058.78			Within the credit term
CEC Panda LCD Technology Co., Ltd	50,345,579.36			Within the credit term
Wuhan Metro Group Limited	30,086,914.20			Within the credit term
Nanjing Panda Handa Technology Co., Ltd	24,826,251.66			Within the credit term
Cechsle Plastics (Taicang) Co., Ltd (裕克施樂塑料製品(太倉)有限公司)	24,670,400.04			Within the credit term
Binhai County Radio and Television Bureau	23,723,100.00	202,095.00	0.85	Present value of the future cash flow is expected to be lower than its carrying value
PACIC DIGIT CORP	22,604,326.37	22,604,326.37	100.00	Expected not to be recoverable
The Radio Television Bureau of the Ningxia Hui Autonomous Region	22,262,808.00			Within the credit term
Andrew Telecommunication Device(China) Limited (安德魯電信器材(中國)有限公司)	18,921,922.38			Within the credit term
Nanjing Kewo Power Technology Limited (南京科沃電力科技有限公司)	16,567,700.00			Within the credit term
Nanjing Sharp Electronics Co., Ltd.	13,890,613.22			Within the credit term
Changzhou Hengcheng Plastic Machinery Co., Limited.	11,485,408.90			Within the credit term
Suzhou Kangou International Trade Co., Ltd.	9,972,991.33			Within the credit term
Nanjing Panda Electronics Imp.& Exp. Co., Ltd.	8,499,031.22			Within the credit term
Nanjing Canatal Air-conditioner Electromechanical Co., Ltd.	7,371,753.91			Within the credit term
Hellongjiang Radio and Television Network Co., Ltd.	7,219,920.00			Within the credit term
RFS Radio Frequency Systems (Shanghai) Co., Ltd.	6,758,141.85			Within the credit term
JIU ZHOU GROUP (HK) HOLDINGS LTD	6,314,449.30			Within the credit term
Ganyu County Radio and Television Network Development Co., Ltd.	6,181,426.00			Within the credit term
Shenzhen No.1 Environmental Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected not to be recoverable
Shong County Radio and Television Information Network Co., Ltd.	5,686,000.00			Within the credit term
Nanjing Ericsson Panda Communication Company Limited	5,594,785.05			Within the credit term
Nanjing Metro Co., Ltd.	5,410,346.28	951,811.52	17.59	Present value of the future cash flow is expected to be lower than its carrying value
Total	<u>502,383,427.85</u>	<u>29,444,732.89</u>		

Note 2. For individually unsubstantial amount of accounts receivable, a provision of RMB23,163,402.38 for bad debts of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

(2) Ageing analysis of accounts receivable

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %
Within 1 year	598,584,311.10	87.88	2,226,680.62	0.37	539,040,394.90	89.55	525,810.51	0.10
1-2 years	35,322,796.72	5.19	3,254,348.65	9.21	14,720,103.84	2.44	4,482,062.24	30.45
2-3 years	7,307,178.31	1.07	7,225,550.48	98.88	10,113,269.22	1.68	10,039,090.81	99.27
3-5 years more than	29,728,540.36	4.37	29,722,547.86	99.96	28,866,949.68	4.60	28,768,404.23	99.66
5 years	10,179,007.66	1.49	10,179,007.66	100.00	9,230,529.99	1.53	9,230,529.99	100.00
Total	<u>681,121,834.15</u>	<u>100.00</u>	<u>52,608,135.27</u>		<u>601,971,247.83</u>	<u>100.00</u>	<u>53,045,897.78</u>	

- (3) Details of the five largest debtors of accounts receivable at the end of the period

Name of debtor	Amount	Percentage in the total value of the accounts receivable %	Ageing
Pandigital,inc	168,303,058.78	24.71	Within 2 years
CEC Panda LCD Technology Co., Ltd	50,345,579.36	7.39	Within 1 year
Wuhan Metro Group Co., Ltd.	30,086,914.20	4.42	Within 1 year
Nanjing Panda Handa Technology Co., Ltd.	24,826,251.66	3.64	Within 1 year
Oechsle Plastics (Taicang) Co., Ltd (裕克施樂塑料製品(太倉)有限公司)	24,670,400.04	3.62	Within 1 year
<b>Total</b>	<b>298,232,204.04</b>	<b>43.78</b>	

- (4) Balance of accounts receivable at the end of the period denominated in foreign currencies

Item	Closing balance			Opening balance		
	Foreign currency amount	Exchange rate	Equivalent amount in RMB	Foreign currency amount	Exchange rate	Equivalent amount in RMB
USD	33,108,839.69	6.3249	209,410,100.16	37,988,952.08	6.3009	239,364,588.16
HKD				88,061.59	0.8107	71,391.53
EUR	239,877.57	7.8710	1,888,076.35	101,559.73	8.1625	828,981.30
<b>Total</b>			<b>211,298,176.51</b>			<b>240,264,960.99</b>

- (5) The closing balance of accounts receivable included RMB1,465,168.30 due from Panda Electronics Group Limited, the shareholder holding 51.10% voting shares of the Company.

- (6) The closing balance of accounts receivable includes RMB46,637,648.39 due from related parties, representing 6.85% of the total accounts receivable (end of 2011 : RMB43,619,237.26, representing 7.25%). Please refer to Note X.(III)8 for disclosure of relevant related transactions.

#### 4. Prepayment

- (1) Details of prepayment

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %
Within 1 year	120,080,887.98	83.73	2,160.18	0.01	71,867,145.22	73.27	241,779.92	0.34
1-2 years	18,661,896.41	13.01	2,809,457.63	15.05	20,236,125.64	20.63	2,527,674.44	12.49
2-3 years	2,072,895.55	1.45	1,728,104.78	83.41	2,428,258.40	2.48	1,183,776.22	48.75
More than 3 years	2,604,045.18	1.81	2,367,123.08	90.90	3,549,281.05	3.62	2,962,538.52	83.47
<b>Total</b>	<b>143,419,725.12</b>	<b>100.00</b>	<b>6,907,845.67</b>		<b>98,080,810.51</b>	<b>100.00</b>	<b>6,915,771.10</b>	

- (2) Relatively significant prepayment with ageing more than one year mainly consisted of construction payment which has not yet been settled.

- (3) Details of the five largest debtors of prepayment at the end of the period

Name of debtor	Amount	Percentage %	The relationship with the prepaid company	The time of prepayment	Reasons of unsettled accounts
Shanghai Gonglian Communication Information Development Co., Ltd.	27,828,000.00	19.40	Not a related party	Within 1 year	Goods not yet received
Nanjing Meiding Technology Company Limited (南京美鼎科技有限公司)	24,408,570.00	17.02	Not a related party	Within 1 year	Goods not yet received
Huajinxing Technology Company Limited (華駿興科技有限公司)	7,111,693.55	4.96	Not a related party	Within 1 year	Goods not yet received
Nanjing Shenye Intelligent System Engineering Co., Ltd.	6,533,897.35	4.55	Not a related party	Within 1 year	Project not yet completed for settlement
Nanjing Zhiyuan Information Technology Co., Ltd.	5,777,714.09	4.03	Not a related party	1-2 year	Project not yet completed for settlement
Total	<u>71,659,874.99</u>	<u>49.96</u>			

- (4) The closing balance of prepayment included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.
- (5) The closing balance of prepayment includes RMB643,481.27 due from related parties (end of 2011: RMB5,647,038.95), accounting for 0.45% of the total prepayment (end of 2011: 5.76%). Please refer to Note X.(II)8 for disclosure of relevant related transactions.
- (6) The closing balance of prepayments increased by 46.23% from the opening balance, mainly attributable to the increase in purchased materials, which leads to the growing prepayment.

## 5. Other Receivables

- (1) Break-down of other receivables by categories

Item	Closing Balance			Percentage of provision for bad debt %
	Balance	Percentage %	Provision for bade debt	
Individually substantial amount of other receivables with specific provision (Note 1)	14,380,456.46	34.22	2,799,417.23	19.47
Other individually unsubstantial amount of other receivables with specific provision (Note 2)	27,638,818.59	65.78	10,901,463.91	39.44
Total	<u>42,019,275.05</u>	<u>100.00</u>	<u>13,700,881.14</u>	
	Opening Balance			
Item	Balance	Percentage %	Provision for bade debt	Percentage of provision for bad debt %
Individually substantial amount of other receivables with specific provision	11,930,893.96	31.81	2,799,417.23	23.46
Other individually unsubstantial amount of other receivables with specific provision	25,575,966.67	68.19	11,440,333.30	44.73
Total	<u>37,506,860.63</u>	<u>100.00</u>	<u>14,239,750.53</u>	

Individually substantial amount of other receivables refers to the single amount accounting for 5% or more of the closing balances or the amount over RMB5,000,000.00.

Note 1. Individually substantial amount of other receivable with specific provision.

Name of debtor	Amount	Provision for bade debt	Percentage of provision for bad debt %	Reasons
Yunnan Provincial Bureau of Radio and Television	3,825,548.06			Within the credit term
PICC Life Insurance Co., Ltd.	3,116,729.17			Within the credit term
Panda Electronics (Kunshan) Co., Ltd	2,799,417.23	2,799,417.23	100.00	Expected not to be recoverable
China Far East International Tendering Company	2,400,000.00			Within the credit term
Shaanxi Provincial Bureau of Radio and Television	2,238,762.00			Within the credit term
Total	14,380,456.46	2,799,417.23		

Note 2. For the individually unsubstantial amount of other receivables, a provision of RMB10,901,463.91 for bad debts of the receivable is made at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

(2) Ageing analysis of other receivables

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bade debt	Percentage of provision for bad debts %
Within 1 year	25,421,047.79	60.50	2,729,772.42	10.74	18,275,697.14	48.73	2,046,742.18	11.20
1-2 years	4,857,079.84	11.56	253,966.57	5.23	6,374,678.81	17.00	683,251.42	10.72
2-3 years	1,912,700.74	4.55	888,695.47	46.46	2,341,206.65	6.24	994,479.10	42.48
3-5 years	844,101.98	2.01	844,101.98	100.00	1,289,220.32	3.43	1,289,220.32	100.00
more than 5 years	8,984,344.70	21.38	8,984,344.70	100.00	9,226,057.51	24.60	9,226,057.51	100.00
Total	42,019,275.05	100.00	13,700,881.14		37,506,860.63	100.00	14,239,750.53	

(3) Details of the five largest debtors of other receivables at the end of the period

Name of debtor	Amount	Percentage in the total value of the other receivable %	Ageing	Nature
Yunnan Provincial Bureau of Radio and Television	3,825,548.06	9.10	1-2 years	Quality guarantee deposit
PICC Life Insurance Co., Ltd.	3,116,729.17	7.42	Within 2 years	Insurance premium
Panda Electronics (Kunshan) Co., Ltd	2,799,417.23	6.66	More than 3 years	Capital transfers
China Far East International Tendering Company	2,400,000.00	5.71	Within 1 year	Security deposit
Shaanxi Provincial Bureau of Radio and Television	2,238,762.00	5.33	1-2 years	Quality guarantee deposit
Total	14,380,456.46	34.22		

(4) The closing balance of other receivables included no amount due from shareholders with 5% or above of shareholding with voting power in the Company.

(5) The closing balance of other receivables included RMB2,799,417.23 due from related parties (end of 2011: RMB2,799,417.23), representing 6.66% of the total other receivables (end of 2011: 7.46%). Please refer to Note X (III) 8 for disclosure of relevant related transactions.

## 6. Inventories

### (1) Details of inventories by category

Item	Balance on account	Closing balance		Balance on account	Opening balance	
		Provision for diminution in value	Book value		Provision for diminution in value	Book value
Raw materials	71,773,106.35	15,098,319.22	56,674,787.13	101,882,359.30	15,256,846.31	86,625,512.99
Packaging materials	450,827.25		450,827.25	236,709.45		236,709.45
Low-value consumables	418,832.83		418,832.83	485,273.83		485,273.83
Work in progress Stock	142,721,941.38	9,766,141.04	132,955,800.34	83,863,344.94	9,168,436.03	74,694,908.91
commodities	76,884,261.42	27,908,756.74	48,975,504.68	91,423,374.15	28,117,278.17	63,306,095.98
Materials under consigned processing commodities	19,022,286.18		19,022,286.18	3,513,104.19		3,513,104.19
Delivered commodities	17,848,067.91	1,743,680.15	16,104,387.76	22,874,968.08	1,743,680.15	21,131,287.93
<b>Total</b>	<b>329,119,323.32</b>	<b>54,516,897.15</b>	<b>274,602,426.17</b>	<b>304,279,133.94</b>	<b>54,286,240.66</b>	<b>249,992,893.28</b>

### (2) Provision for diminution in value of inventories

Item	Opening Balance	Provision in the period	Decrease in the period			Closing Balance	Percentage of the reversal to the closing balance (%)
			Reversal	Write-off	Total		
Raw materials	15,256,846.31	178,160.29	16,810.97	319,876.41	336,687.38	15,098,319.22	0.02
Work in progress Stock	9,168,436.03	1,681,402.73		1,083,697.72	1,083,697.72	9,766,141.04	
commodities	28,117,278.17	2,201,788.04	10,494.44	2,399,815.03	2,410,309.47	27,908,756.74	0.01
Delivered commodities	1,743,680.15					1,743,680.15	
<b>Total</b>	<b>54,286,240.66</b>	<b>4,061,351.06</b>	<b>27,305.41</b>	<b>3,803,389.16</b>	<b>3,830,694.57</b>	<b>54,516,897.15</b>	

- (i) Basis of provision for diminution in value of inventories: on each balance sheet day, inventories are measured based on the lower of cost and net realizable value, and provision for diminution in value of inventories is made based on the surplus of cost over net realizable value of inventories on an individual basis.
- (ii) Reason for reversal of provision for diminution in value of inventories: Should the factors causing any write-down of the inventories not exist anymore, the amount of write-down shall be recovered and be reversed from the provision for diminution in value of inventories that has been made.

## 7. Long-term Equity Investment

### (1) Details of long-term equity investment

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Investment in associated companies	686,749,347.54	101,385,914.10	3,281,200.00	<b>784,854,061.64</b>
Other equity investment	3,650,000.00			<b>3,650,000.00</b>
Less: provision for impairment of long-term equity investment	2,956,636.87			<b>2,956,636.87</b>
Total	<b>687,442,710.67</b>	<b>101,385,914.10</b>	<b>3,281,200.00</b>	<b>784,547,424.77</b>

### (2) Details of investment in associated companies and major financial data of these associated companies

Name of investee	Opening Balance	Increase in the period	Decrease in the period	Closing Balance	Registration address	Business nature
Associated companies						
Beijing SE Putian Mobile Communications Co., Ltd.	215,843,200.00	41,166,219.22		<b>257,009,419.22</b>	Beijing	Manufacture
Nanjing Huaxian High Technology Company Limited					Nanjing	Technology development
Hua Fei Colour Display Systems Company Limited					Nanjing	Manufacture
MPOWER Batteries (Nanjing) Co., Ltd.					Nanjing	Manufacture
Nanjing Ericsson Panda Communication Company Limited	358,052,670.00	50,863,360.90		<b>408,916,030.90</b>	Nanjing	Manufacture
Shenzhen Jingwah Electronics Co., Ltd.	97,153,708.10	9,356,333.98		<b>106,510,042.08</b>	Shenzhen	Manufacture
Intenna (Nanjing) Co. Ltd.					Nanjing	Manufacture
Nanjing Electronics Panda Mobile Terminals Co. Ltd.					Nanjing	Manufacture
Panda Electronics (Kunshan) Co., Ltd					Kunshan	Manufacture
Nanjing Thales Panda Transportation System Company Limited	12,743,132.57		3,281,200.00	<b>9,461,932.57</b>	Nanjing	Manufacture
Panda Korea Chen Xi Joint Venture Company Limited	2,756,525.00			<b>2,756,525.00</b>	Korea	
Nanjing Panda Medical Electronics Co. Ltd.	200,111.87			<b>200,111.87</b>	Nanjing	Manufacture
Total	<b>686,749,347.54</b>	<b>101,385,914.10</b>	<b>3,281,200.00</b>	<b>784,854,061.64</b>		

Name of investee	The Company's shareholding percentage	The Company's percentage in voting rights of the investee		Total operating income for the period	Net profit/(loss) for the period
		%	%		
Associated companies					
Beijing SE Putian Mobile Communications Co., Ltd.	20	20	20	13,409,945,386.24	205,831,096.10
Nanjing Ericsson Panda Communication Company Limited	27	27	27	5,688,986,440.52	188,382,818.13
Shenzhen Jingwah Electronics Co., Ltd.	38.03	38.03	38.03	437,440,003.55	24,602,508.50

## (3) Long-term equity accounted for using equity method

Name of investee	Investment cost	Opening Balance	Additional Investment in the period	Increase/	Cash dividends received	Closing Balance
				decrease of the investee's equity		
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	215,843,200.00		41,166,219.22		257,009,419.22
Nanjing Huaxian High Technology Company Limited	10,000,000.00					
Hua Fei Colour Display Systems Company Limited	392,892,722.42					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Company Limited	60,863,279.60	358,052,670.00		50,863,360.90		408,916,030.90
Shenzhen Jingwah Electronics Co., Ltd.	69,687,437.75	97,153,708.10		9,356,333.98		106,510,042.08
Intenna (Nanjing) Co. Ltd.	1,750,000.00					
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	34,769,364.00					
Panda Electronics (Kunshan) Co., Ltd	1,757,905.88					
Nanjing Thales Panda Transportation System Company Limited	8,626,600.00	12,743,132.57			3,281,200.00	9,461,932.57
Panda Korea Chen Xi Joint Venture Company Limited	3,494,075.00	2,756,525.00				2,756,525.00
Nanjing Panda Medical Electronics Co. Ltd.	500,000.00	200,111.87				200,111.87
Total	638,902,758.33	686,749,347.54		101,385,914.10	3,281,200.00	784,854,061.64

## (4) Impairment for the long-term equity investment

Name of investee	Opening Balance	Provision in the period	Decrease in the period		Total	Closing Balance
			Reversal	Write-off		
Panda Korea Chen Xi Joint Venture Company Limited	2,756,525.00					2,756,525.00
Nanjing Panda Medical Electronics Co. Ltd.	200,111.87					200,111.87
Total	2,956,636.87					2,956,636.87

## 8. Fixed Assets

### (1) Details of fixed assets

	Buildings and structures	Machinery and equipment	Transportation equipment	Electronic equipment	Other equipment	Total
<b>Cost</b>						
Opening Balance	539,443,221.77	319,149,878.50	17,936,196.79	40,085,823.86	24,282,091.62	940,897,212.54
Transfer from CIP		869,231.20		703,998.82		1,573,230.02
Other additions in the period		1,361,341.71	2,225,787.78	510,059.98	1,181,892.57	5,279,082.04
Decrease in the period		404,548.00	717,462.00	475,088.00		1,597,098.00
Closing Balance	539,443,221.77	320,975,903.41	19,444,522.57	40,824,794.66	25,463,984.19	946,152,426.60
<b>Accumulated depreciation</b>						
Opening Balance	126,848,150.58	146,119,111.43	5,636,090.01	28,641,344.58	11,521,220.39	318,765,916.99
Provision in the period	8,600,601.70	13,507,267.28	860,323.70	2,002,543.55	1,871,825.13	26,842,561.36
Decrease in the period		323,593.26	550,848.34	435,830.68		1,310,272.28
Closing Balance	135,448,752.28	159,302,785.45	5,945,565.37	30,208,057.45	13,393,045.52	344,298,206.07
<b>Impairment provision</b>						
Opening Balance	2,972,121.11	251,784.62		48,815.57	5,208.80	3,277,930.10
Increase in the period				15,599.22		75,399.80
Other decrease		59,800.58				
Closing Balance	2,972,121.11	191,984.04		33,216.35	5,208.80	3,202,530.30
<b>Net book value</b>						
Closing Balance	401,022,348.38	161,481,133.92	13,498,957.20	10,583,520.86	12,065,729.87	598,651,690.23
Opening Balance	409,622,950.08	172,778,982.45	12,300,106.78	11,395,663.71	12,755,662.43	618,853,365.45

(2) As at 30 June 2012, buildings and structures with book value of RMB111,376,141.12 (cost: RMB193,718,842.43) were pledged to secure short-term loans of RMB120,000,000.00 (see note VIII (14)) and bills payable of RMB2,793,725.32 (see note VIII (15)).

### (3) Fixed assets leased out by operating lease

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Buildings and structures	58,784,252.02	24,141,205.16	2,930,788.83	31,712,258.03
Total	58,784,252.02	24,141,205.16	2,930,788.83	31,712,258.03

### (4) Fixed assets without proper title certificates

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Buildings and structures	249,366,444.01	33,599,335.01	2,972,121.11	212,794,987.89
Total	249,366,444.01	33,599,335.01	2,972,121.11	212,794,987.89

The ownership certificate of uncompleted buildings and structures with the original cost of RMB214,823,802.89 is expected to be obtained in 2012.

- (5) Impairment provision of fixed assets

Item	Opening Balance	Provision in the period	Decrease in the period			Closing Balance
			Reversal	Write-off	Total	
Buildings and structures	2,972,121.11					2,972,121.11
Machinery and equipment	251,784.62			59,800.58	59,800.58	191,984.04
Electronic equipment	48,815.57			15,599.22	15,599.22	33,216.35
Other equipment	5,208.80					5,208.80
Total	3,277,930.10			75,399.80	75,399.80	3,202,530.30

Certain old fixed assets were disposed and scrapped during this period. Therefore, the write-off of the impairment provision with the amount of RMB75,399.80 was realized during the period.

## 9. Construction in Progress

- (1) The balance of construction in progress

Item	Balance on account	Closing balance Impairment provision	Book value	Opening balance		
				Balance on account	Impairment provision	Book value
Projects	31,910,317.37		31,910,317.37			
Machinery and equipment	722,308.26		722,308.26	306,362.89		306,362.89
Total	32,632,625.63		32,632,625.63	306,362.89		306,362.89

- (2) Details of construction in progress

Name of project	Budget	Opening Balance	Increase in the period	Transfer into fixed assets in the period	Other decrease	Closing Balance	Investment as a percentage of budget		Capital source
							Progress	%	
Xin Gang No.4 and No.5 Plant Project	RMB180 million		31,019,591.87			31,019,591.87	90.91	90.91	Internal resources
Panda Electronic Equipment Industrial Park			890,725.50			890,725.50			Internal resources
Machinery and equipment		306,362.89	1,989,175.39	1,573,230.02		722,308.26			Internal resources
Total		306,362.89	33,899,492.76	1,573,230.02		32,632,625.63			

- (3) The Company has no capitalization of borrowing interests for the period. The Company made no impairment provision for construction in progress as there is no indication of impairment as at the end of the period.
- (4) The closing balance of the CIP increased by 10,551.62% over the opening balance, mainly due to the continued investment in construction of Xin Gang projects.

## 10. Intangible Assets

### (1) Details of intangible assets

Item	Cost	Opening Balance	Increase in the period	Transferred-out in the period	Amortization in the period	Accumulative amortization	Closing Balance
Land use rights	27,219,260.67	22,696,176.31			341,421.36	4,864,505.72	22,354,754.95
Trademark use right	158,640,000.00	210,000.00				158,430,000.00	210,000.00
Others	5,482,676.57	1,881,773.93	865,582.85		280,963.92	3,016,483.71	2,466,392.86
<b>Total</b>	<b>191,342,137.24</b>	<b>24,787,950.24</b>	<b>865,582.85</b>		<b>622,385.28</b>	<b>166,310,989.43</b>	<b>25,031,147.81</b>

### (2) Impairment provision for intangible assets

Item	Opening Balance	Provision in the period	Decrease in the period		Total	Closing Balance
			Reversal	Write-off		
Trademark use right	210,000.00					210,000.00
<b>Total</b>	<b>210,000.00</b>					<b>210,000.00</b>

(3) As at 30 June 2012, the land use rights with a net book value of RMB1,003,796.08 (the original cost of RMB2,097,551.00) had been pledged as security for short-term loans of RMB120,000,000.00 (see note VIII (14)) and bills payable of RMB2,793,725.32 (see note VIII (15)).

## 11. Deferred Income Tax Assets and Deferred Income Tax Liabilities

### (1) Details of deferred income tax assets

Item	Closing Balance		Opening Balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Provision for asset impairment	5,591,315.54	36,966,163.15	5,615,952.90	37,064,712.58
Staff remuneration payable	970,655.48	6,471,036.51	176,640.82	1,177,605.42
Accrued expenses	880,960.47	5,873,069.74		
Government subsidy	795,000.00	5,300,000.00		
Depreciation of fixed assets	127,943.47	520,572.41	159,249.79	729,281.31
Account payables (aged more than 3 years)	29,826.27	198,841.78	38,526.53	256,843.54
Intangible assets amortization	18,432.73	76,218.19	932.84	6,218.92
Others	39,226.56	242,477.59		
<b>Total</b>	<b>8,453,360.52</b>	<b>55,648,379.37</b>	<b>5,991,302.88</b>	<b>39,234,661.77</b>

(2) Details of deferred income tax liabilities

Item	Closing Balance		Opening Balance	
	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference
Unrecognized financing expenses	<u>350,980.01</u>	<u>2,339,866.77</u>	390,239.64	2,601,597.60
Total	<u><b>350,980.01</b></u>	<u><b>2,339,866.77</b></u>	<u>390,239.64</u>	<u>2,601,597.60</u>

(3) Closing balance of deferred income tax assets increased by 41.09% from the opening balance, mainly due to the increase in deductible temporary difference during the period.

## 12. Details of Provision for Impairment of Assets

Item	Opening Balance	Provision in the period	Decrease in the period			Closing Balance
			Reversal	Write-off	Total	
<b>1. Total provision for bad debt</b>	74,201,419.41	270,269.15	1,105,692.15	149,134.33	1,254,826.48	<b>73,216,862.08</b>
Including:Accounts receivable	53,045,897.78	253,312.82	541,941.00	149,134.33	691,075.33	<b>52,608,135.27</b>
Other Receivables	14,239,750.53	15,144.00	554,013.39		554,013.39	<b>13,700,881.14</b>
Prepayment	6,915,771.10	1,812.33	9,737.76		9,737.76	<b>6,907,845.67</b>
<b>2. Total provision for impairment of inventories</b>	54,286,240.66	4,061,351.06	27,305.41	3,803,389.16	3,830,694.57	<b>54,516,897.15</b>
Including:Raw materials	15,256,846.31	178,160.29	16,810.97	319,876.41	336,687.38	<b>15,098,319.22</b>
Work in progress	9,168,436.03	1,681,402.73		1,083,697.72	1,083,697.72	<b>9,766,141.04</b>
Stock commodities	28,117,278.17	2,201,788.04	10,494.44	2,399,815.03	2,410,309.47	<b>27,908,756.74</b>
Materials under commissioned processing	1,743,680.15					<b>1,743,680.15</b>
<b>3. Total provision for impairment of long term equity investment</b>	2,956,636.87					<b>2,956,636.87</b>
<b>4. Total provision for impairment of fixed assets</b>	3,277,930.10			75,399.80	75,399.80	<b>3,202,530.30</b>
Including:Buildings and structures	2,972,121.11					<b>2,972,121.11</b>
Machinery and equipment	251,784.62			59,800.58	59,800.58	<b>191,984.04</b>
Electronic equipment	48,815.57			15,599.22	15,599.22	<b>33,216.35</b>
Other equipment	5,208.80					<b>5,208.80</b>
<b>5. Provision for impairment of intangible assets</b>	210,000.00					<b>210,000.00</b>
Including:Trademark use right	210,000.00					<b>210,000.00</b>
Total	<u>134,932,227.04</u>	<u>4,331,620.21</u>	<u>1,132,997.56</u>	<u>4,027,923.29</u>	<u>5,160,920.85</u>	<u><b>134,102,926.40</b></u>

## 13. Restricted Assets

Restricted Assets	Opening book value	Increase in the period	Decrease in the period	Closing book value
<b>1. Fixed assets used for guarantee</b>				
Pledged fixed assets	113,821,516.45		2,445,375.33	<b>111,376,141.12</b>
Pledged intangible assets	1,149,662.08		145,866.00	<b>1,003,796.08</b>
<b>2. Restricted assets due to other reasons for</b>				
Bank acceptance security deposits	44,683,300.09	70,371,568.53	89,176,516.19	<b>25,878,352.43</b>
Performance bond deposits	57,953,961.09	2,443,815.50	6,189,012.19	<b>54,208,764.40</b>
Credit security deposit	468,000.00			<b>468,000.00</b>
Others				
Total	<u>218,076,439.71</u>	<u>72,815,384.03</u>	<u>97,956,769.71</u>	<u><b>192,935,054.03</b></u>

#### 14. Short Term Loans

- (1) Details of short term loans

Type of loan	Closing Balance	Opening Balance
Credit loan		78,307,585.20
Guaranteed loan	<b>387,000,000.00</b>	210,000,000.00
Collateral loan	<b>120,000,000.00</b>	70,000,000.00
Total	<b><u>507,000,000.00</u></b>	<b><u>358,307,585.20</u></b>

- (2) No loans mentioned above were not repaid beyond due date.
- (3) The collateral loan at the end of this period amounted to RMB120,000,000.00 (2011: RMB70,000,000.00). Please refer to note VIII 8(2) and note VIII 10(3) for details.
- (4) For details of guaranteed loan of the Company and its subsidiaries, please refer to Note X (III) 5 and 6.
- (5) The weighted average interest rate of the short term loans for the period is 6.45% (Jan-Jun of 2011: 5.79%).
- (6) Closing balance of short-term loans increased by 41.50% from the opening balance, mainly due to the increased need for working capital in line with the enlarged operation in the period.

#### 15. Bills Payable

Types of Bills	Closing Balance	Opening Balance	Amount due in the next accounting period
Bank acceptance notes	<b>51,533,712.25</b>	69,060,351.93	
Total	<b><u>51,533,712.25</u></b>	<b><u>69,060,351.93</u></b>	

Closing balance of bills payable decreased by 25.38% from the opening balance, mainly due to the cashing of the bills falling due and decrease in use of bills.

#### 16. Accounts Payable

- (1) Details of accounts payable

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	<b>444,064,907.03</b>	<b>84.49</b>	395,205,804.67	84.64
1-2 years	<b>35,481,173.36</b>	<b>6.75</b>	28,843,783.97	6.18
2-3 years	<b>11,136,034.13</b>	<b>2.12</b>	18,094,238.78	3.88
More than 3 years	<b>34,898,235.87</b>	<b>6.64</b>	24,730,349.83	5.30
Total	<b><u>525,580,350.39</u></b>	<b><u>100.00</u></b>	<b><u>466,874,177.25</u></b>	<b><u>100.00</u></b>

- (2) The closing balance of accounts payable includes RMB714,631.68 due to Panda Electronics Group Limited, the shareholder with 51.10% of shareholding with voting power in the Company.
- (3) The closing balance of accounts payable included RMB23,520,805.47 (end of 2011: RMB21,426,590.15) due to related parties. Please refer to Note X(III)8 for disclosure of relevant related transactions.

- (4) Account payables in large amount with ageing over one year

Name of creditor	Amount	Reasons	Whether will be repaid after the date of financial statement
Thales Software Systems (Shanghai) Co., Ltd.	6,500,431.35	Not yet settled	No
Guangdong Zhicheng Champion (Electrics Industrial) Group Co., Ltd.	3,970,550.20	Unable to contact the counterparty	No
Jiangsu Province Quality and Technical Supervision Bureau project	3,187,628.19	Project still on-going	No
Nanjing Children's Hospital project	2,025,722.27	Project still on-going	No
Nanjing Runkai Technology Industrial and Commercial Co., Ltd.	1,924,303.54	Unable to contact the counterparty	No
China Railway and Communication Shanghai Engineering Group Co., Ltd.	1,784,866.40	Project still on-going	No
Nanjing Construction Group Co., Ltd.	1,632,688.93	Subject to final accounting for the project	No
Total	<u>21,026,190.88</u>		

#### 17. Advances from Customers

- (1) Details of advances from customers

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	39,188,781.74	74.69	48,372,300.87	65.64
1-2 years	11,487,111.16	21.89	20,991,025.14	28.49
2-3 years	845,942.70	1.61	2,608,512.24	3.54
More than 3 years	950,399.60	1.81	1,715,828.64	2.33
Total	<u>52,472,235.20</u>	<u>100.00</u>	<u>73,687,666.89</u>	<u>100.00</u>

- (2) The closing balance of advances from customers included no amount from shareholders with 5% or above of shareholding with voting power in the Company.
- (3) The closing balance of advances from customers includes RMB11,577.75 (end of 2011: RMB7,091,953.93) received from related parties. Please refer to Note X(III)8 for disclosure of relevant related transactions.
- (4) The advances from customers aged over 1 year had not been transferred yet, because such amount of advances from customers is more than the outstanding amount payable based on the construction progress.

## 18. Salaries Payable

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
1. Wage, bonus, allowance and subsidy	14,115,352.44	96,619,466.75	102,163,106.97	<b>8,571,712.22</b>
2. Expenses for employee benefits		7,866,203.93	7,866,203.93	
3. Expenses for social security	2,433,168.42	29,846,891.43	27,952,418.25	<b>4,327,641.60</b>
Including: Medical insurance	379,378.78	7,533,988.60	7,054,804.29	<b>858,563.09</b>
Basic pension fund	1,897,941.20	18,937,432.50	17,700,254.94	<b>3,135,118.76</b>
Unemployment insurance	107,883.81	2,020,067.65	1,892,773.57	<b>235,177.89</b>
Injury insurance	14,951.79	392,054.42	372,420.92	<b>34,585.29</b>
Maternity insurance	33,012.84	963,348.26	932,164.53	<b>64,196.57</b>
4. Housing reserve fund	983,800.29	14,134,338.84	13,027,028.60	<b>2,091,110.53</b>
5. Trade union funds and employee education funds	2,322,014.81	1,374,745.85	1,427,054.52	<b>2,269,706.14</b>
6. Compensation for employment termination	108,000.00	167,342.00	172,721.00	<b>102,621.00</b>
7. Laid-off benefits	24,661,913.41	141,770.16	4,357,270.00	<b>20,446,413.57</b>
8. Others	53,531.76	772,814.00	764,436.40	<b>61,909.36</b>
Total	<u>44,677,781.13</u>	<u>150,923,572.96</u>	<u>157,730,239.67</u>	<u><b>37,871,114.42</b></u>

(1) There are not any salaries payable on which the Group is in default, and all the wages, bonuses, allowances and subsidies are paid to employees in line with the Company's payment schedule.

(2) Laid-off benefits represent the total expenses of laid-off staff since 1 July 2012 to the retirement date, including the unrecognized financing expenses amounting to RMB1,352,744.67 (end of 2011: RMB1,611,863.55). The unrecognized financing cost is amortized by the effective interest method.

## 19. Taxes Payable

Item	Tax rate	Closing Balance	Opening Balance
Value-added tax	See Note VI Tax	<b>2,635,665.90</b>	(15,200,507.51)
Business tax	See Note VI Tax	<b>518,062.88</b>	485,830.31
Urban maintenance and construction tax	See Note VI Tax	<b>618,167.73</b>	538,952.11
Education surcharges	See Note VI Tax	<b>388,423.17</b>	331,805.73
Enterprise income tax	See Note VI Tax	<b>(1,232,656.86)</b>	466,931.42
Individual income tax		<b>1,174,707.81</b>	979,921.00
Others		<b>12,194.14</b>	26,096.62
Total		<u><b>4,114,564.77</b></u>	<u>(12,370,970.32)</u>

The closing balance of tax payable increased by 133.26% from the opening balance, mainly because the Company received the tax refund of value added tax for export during the period.

## 20. Interest Payable

Item	Closing Balance	Opening Balance
Short-term loan interest	<u><b>911,527.82</b></u>	<u>969,055.41</u>
Total	<u><b>911,527.82</b></u>	<u>969,055.41</u>

## 21. Dividend Payable

Name of investors	Closing Balance	Opening Balance	Reason for
			more than one year
Individual shareholders		143,289.96	
Panda Electronics Group Limited	<b>16,735,750.00</b>		
Total	<b>16,735,750.00</b>	143,289.96	

The closing balance of dividends payable increased by 11,579.64% from the opening balance, mainly because that the dividends payable to Panda Electronics Group Limited for 2011 has not been paid yet.

## 22. Other Payables

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	<b>46,625,866.59</b>	<b>34.70</b>	37,947,486.44	33.90
1-2 years	<b>24,252,277.48</b>	<b>18.05</b>	25,789,338.61	23.03
2-3 years	<b>33,095,622.69</b>	<b>24.63</b>	17,440,780.60	15.58
More than 3 years	<b>30,388,534.00</b>	<b>22.62</b>	30,772,786.45	27.49
Total	<b>134,362,300.76</b>	<b>100.00</b>	111,950,392.10	100.00

- (1) The closing balance of other payables included RMB5,131,191.40 payable to Panda Electronics Group Limited, the shareholder with 51.10% of shareholding with voting power in the Company.
- (2) The closing balance of other payables includes RMB7,795,376.56 payable to related parties (end of 2011: RMB10,137,286.44). Please refer to Note X(III)8 for disclosure of relevant related transactions.
- (3) Other payables in large amount as at the end of the period

Name of creditor	Amount	Nature (or content)
Ministry of Finance—Stereo television Project	13,355,169.10	Fees for initiation of a research project
Nanjing Municipal Finance Bureau	5,506,564.00	Project payment
The Finance Bureau of Baixia District	5,300,000.00	Government subsidy
Panda Electronics Group Limited	5,131,191.40	capital transfers and property management fee
Management Committee of Nanjing Economic and Technological Development Zone	4,424,425.48	Government subsidy
Total	<b>33,717,349.98</b>	

## 23. Non-current Liabilities Due within One Year

Item	Closing Balance	Opening Balance
Long-term loan due within one year		4,000,000.00
Total		4,000,000.00

The closing balance of non-current liabilities due within one year decreased by 100.00% due to the full repayment of the underlying long-term loans.

#### 24. Long Term Loans

Item	Closing Balance	Opening Balance
Credit loan		4,000,000.00
Less: Long-term loan due within one year		4,000,000.00
	<hr/>	<hr/>
Total	<hr/> <hr/>	<hr/> <hr/>

The long-term loan was assessed by the Bureau of Science and Technology, Jiangsu Province and granted by Jiangsu International Trust Co., Ltd. through the special fund of scientific and technological achievements of Jiangsu Province. The purpose of the loan was to finance the research and industrialization of the automatic fare collection (AFC) and the ticket clearance management center (ACC) system software. The loan term is from 27 November 2009 to 27 February 2012, with the weighted average annual interest rate of 0.3% for the period (January-June 2011:0.3%). The principal and interest will be paid when loan term expires.

Such long-term loans have been fully repaid during this period.

#### 25. Share Capital

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Shares subject to trading moratorium -				
State-owned shares				
State-owned legal person shares				
Other domestic shares				
Foreign shares				
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	<hr/>	<hr/>	<hr/>	<hr/>
Shares not subject to trading moratorium -				
RMB denominated ordinary shares	413,015,000.00			413,015,000.00
Domestic-listed foreign shares				
Overseas listed foreign shares	242,000,000.00			242,000,000.00
Others				
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	655,015,000.00			655,015,000.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total	655,015,000.00			655,015,000.00
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the Reporting Period, Panda Electronics Group Limited, the Company's controlling shareholder did not increase or reduce shareholdings of the Company.

#### 26. Capital Reserve

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Capital premium	453,107,996.27			453,107,996.27
Other capital reserve	14,365,417.16			14,365,417.16
	<hr/>	<hr/>	<hr/>	<hr/>
Total	467,473,413.43			467,473,413.43
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27. **Surplus Reserve**

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Statutory surplus reserve	137,841,923.13			<b>137,841,923.13</b>
Discretionary surplus reserve	70,376,641.33			<b>70,376,641.33</b>
Total	<u>208,218,564.46</u>	<u>                    </u>	<u>                    </u>	<u><b>208,218,564.46</b></u>

28. **Undistributed Profit**

Item	This period	Previous period
<b>Closing balance of previous year</b>	<b>256,332,969.10</b>	150,780,310.99
Add: Changes in accounting policies		
Correction of previous errors		669,364.00
Business combination under common control		
<b>Opening balance of the year</b>	<b>256,332,969.10</b>	151,449,674.99
Add: Consolidated net profit attributable to the company	<b>52,170,438.39</b>	34,839,001.78
Compensation of loss from surplus reserve		
Other transfer-in		
Less: Transfer to statutory surplus reserve		
Transfer to discretionary surplus reserve		
Distribution to shareholders	<u><b>32,750,750.00</b></u>	
<b>Closing balance of the period</b>	<u><b>275,752,657.49</b></u>	<u>186,288,676.77</u>

According to the 2011 annual profit distribution plan as approved at the 2nd meeting of the 7th session of the Board of the Company and the 2011 annual general meeting, a cash dividend of RMB0.5 (tax inclusive) for every 10 shares will be paid on the basis of the total share capital of the Company of 655,015,000 shares as at the end of 2011, amounting to a total of RMB32,750,750.00.

29. **Operating Income and Cost**

(1) Income from principal operations and other activities

Items	Amount for the period	Amount for last period
Income from principal operations	<b>1,039,165,348.38</b>	825,201,932.35
Income from other activities	<b>16,925,743.45</b>	18,005,262.40
Total operating income	<u><b>1,056,091,091.83</b></u>	<u>843,207,194.75</u>
Cost of principal operations	<b>926,974,024.78</b>	681,909,048.17
Cost of other activities	<b>10,476,115.90</b>	11,357,050.60
Total operating cost	<u><b>937,450,140.68</b></u>	<u>693,266,098.77</u>

- (2) Income from, cost and profit of principal operations of each business segment

Business segment	Amount for the period		
	Income from principal operations	Cost of principal activities	Profit of principal activities
Electronic manufacture products	309,395,193.33	275,685,514.93	33,709,678.40
Electronic intelligent products	247,252,195.97	209,154,799.28	38,097,396.69
Electronic equipment products	211,242,003.12	183,383,395.17	27,858,607.95
Communication technology products	241,514,594.94	234,433,632.40	7,080,962.54
Others	29,761,361.02	24,316,683.00	5,444,678.02
Total	<u>1,039,165,348.38</u>	<u>926,974,024.78</u>	<u>112,191,323.60</u>
		Amount for last period	
Business segment	Income from principal operations	Cost of principal activities	Profit of principal activities
Electronic manufacture products	302,779,725.65	233,696,060.09	69,083,665.56
Electronic intelligent products	218,484,012.38	184,754,765.12	33,729,247.26
Electronic equipment products	199,071,694.86	171,700,151.78	27,371,543.08
Communication technology products	79,955,484.11	77,039,588.27	2,915,895.84
Others	24,911,015.35	14,718,482.91	10,192,532.44
Total	<u>825,201,932.35</u>	<u>681,909,048.17</u>	<u>143,292,884.18</u>

- (3) The Company's principal operations are located in Nanjing.

- (4) Sales revenue from the top five customers totaled RMB336,464,220.37, accounting for 32.38% of the Company's total sales revenue for the period.

### 30. Business Taxes and Surcharges

Items	Amount for the period		Amount for last period	
	Calculation basis	Amount	Calculation basis	Amount
Business tax	5% of lease income and others	4,569,013.43	5% of lease income and others	3,466,167.95
Urban maintenance and construction tax	7% of turnover tax	2,134,132.05	7% of turnover tax	2,754,589.80
Education surcharges	3-5% of of turnover tax	1,361,520.23	4% of turnover tax	1,625,750.94
Total		<u>8,064,665.71</u>		<u>7,846,508.69</u>

### 31. Selling Expenses

Items	Amount for the period	Amount for last period
Salaries and benefits for sales staff	6,457,142.47	6,539,200.64
Advertising fee	2,641,579.81	2,999,709.16
Transportation fee	1,964,207.77	2,333,912.77
Entertainment expenses	2,287,880.14	2,077,335.92
Labour expenses	540,502.64	1,575,648.46
Office expenses	373,132.72	593,898.19
Travelling expenses	855,701.66	966,930.80
Others	431,046.32	919,778.52
Total	<u>15,551,193.53</u>	<u>18,006,414.46</u>



- (2) Investment income listed by investees

<b>Name of investee</b>	<b>Amount for the period</b>	Amount for last period	Remarks
Nanjing Ericsson Panda Communication Company Limited	<b>50,863,360.90</b>	90,114,625.11	
Beijing SE Putian Mobile Communications Co., Ltd.	<b>41,166,219.22</b>	14,490,617.23	
Hua Fei Colour Display Systems Company Limited		(70,694,285.42)	
Shenzhen Jingwah Electronics Co., Ltd.	<b>9,356,333.98</b>	7,335,987.00	
Intenna (Nanjing) Co. Ltd.		(409,787.49)	
Nanjing Huaxian High Technology Company Limited		(49,845.67)	
<b>Total</b>	<b>101,385,914.10</b>	<b>40,787,310.76</b>	

- (A) Since (i) there was no material difference in the accounting policies and accounting periods adopted by the investee from those of the Company; (ii) there was no event affecting the net profit of the investee for the period arising from the difference between fair value and book value of the long-term assets; (iii) there was no unrecognized internal profit or loss that needs to be eliminated between the investee and the Company, the Company recognized investment income based on the investee's book value of net profit.

The investment income or loss was recognized based on the share of profit or loss of investees under equity method.

- (B) There was no material restriction on the remittance of the investment income to the Company.

- (3) Investment income for the period increased by 148.57% over last period, mainly due to the recognition of the Company's equity interest in Hua Fei Company as investment loss in 2011.

### 36. Non-operating Income

- (1) Details of non-operating income

<b>Item</b>	<b>Amount for the period</b>	Amount for last period	<b>Amount included in extraordinary profit or loss for the period</b>
Gains from disposal of non-current assets	<b>19,711.11</b>	1,121,958.99	19,711.11
Including: Gains from disposal of fixed assets	<b>19,711.11</b>	1,121,958.99	19,711.11
Gains from disposal of other non-current fixed assets			
Write-off accounts payable	<b>400,005.15</b>	1,002,626.69	400,005.15
Government subsidies	<b>6,736,296.99</b>	4,360,719.91	6,402,820.00
Net amercement income	<b>11,037.33</b>		11,037.33
Others	<b>77,142.03</b>	196,497.43	77,142.03
<b>Total</b>	<b>7,244,192.61</b>	<b>6,681,803.02</b>	<b>6,910,715.62</b>

## (2) Government Subsidies

Item	2012	Source and basis
Tax rebate for software	333,476.99	Software enterprise certificate
Financial subsidies and grants	6,402,820.00	Ning Cai Qi [2007] No. 837 and Ning KE[2007] No. 265, ect.
Total	<u>6,736,296.99</u>	

Item	Amount for last period	Source and basis
Reimbursement of value-added tax for software products	75,130.49	Software enterprise certificate
Financial subsidies and grants	4,285,589.42	Ning Cai Qi [2010] No. 1147, Ning Jing Xin Tou Zi [2010] No.443, ect.
Total	<u>4,360,719.91</u>	

## 37. Non-operating Expenses

Item	Amount for the period	Amount for last period	Amount included in extraordinary profit or loss for the period
Loss from the disposal of non-current assets	72,638.48	215,254.68	72,638.48
Including: Loss on disposal of fixed assets	72,638.48	215,254.68	72,638.48
Loss on disposal of other non-current assets			
Donation expenses	40,000.00	32,000.00	40,000.00
Fine payment expenses	10,287.33	5,882.23	10,287.33
Compensation expenses	103,300.00		103,300.00
Others	110,323.65	265,098.46	110,323.65
Total	<u>336,549.46</u>	<u>518,235.37</u>	<u>336,549.46</u>

The non-operating expenses for the period decreased by 35.06% from last period, mainly due to the decrease in losses on disposal of old equipment and machinery,

## 38. Income Tax Expenses

Composition of income tax expenses/(gains)

Item	Amount for the period	Amount for last period
Current income tax	7,057,818.95	9,649,269.51
Deferred income tax	(2,501,317.27)	602,867.98
	<u>4,556,501.68</u>	<u>10,252,137.49</u>

### 39. Basic Earnings per Share and Diluted Earnings per Share

Item	Amount for the period	Amount for last period
Basic earnings per share	<b>0.0796</b>	0.0532
Diluted earnings per share	<b>0.0796</b>	0.0532

Notes:

- (1) Calculation of basic earnings per share

Basic earnings per share = Net profit attributable to holders of ordinary shares ÷ the weighted average of outstanding ordinary shares

Weighted average of outstanding ordinary shares =  $S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$

Where: "S<sub>0</sub>" represents total number of shares at the beginning of the period; "S<sub>1</sub>" represents shares increased from conversion of reserve into capital or share dividend distribution in the period; "S<sub>i</sub>" represents shares increased from issue of new shares or debt to equity during reporting period; "S<sub>j</sub>" represents the reduced shares arising from repurchase during reporting period; "S<sub>k</sub>" represents the number of reduced shares during the reporting period; "M<sub>0</sub>" represents months in the reporting period; "M<sub>i</sub>" represents the months from the next month of the increase of shares to the end of the reporting period; "M<sub>j</sub>" represents the months from the next month of the decrease of shares to the end of the reporting period

- (2) Calculation of diluted earnings per share

Diluted earnings per share =  $P_1 \div (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{weighted average number of ordinary shares increased due to warrants, share options or convertible bonds})$

Where: "P<sub>1</sub>" represents net profit attributable to ordinary shareholders, taking into consideration impact from potential diluted ordinary shares and adjustments according to the Accounting Standards for Business Enterprises and relevant regulations. In calculating the diluted earning per share, the Company takes into account of the effects of all diluted potential ordinary shares on net profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares. The potential ordinary shares are included in the calculation of diluted earning per share according to the degree of dilution in descending order, until the diluted earning per share reach the minimum amount.

### 40. Other Cash Received Relating to Operating Activities

Among the "other cash received relating to operating activities", the items with large amount are listed as follows:

Item	Amount for the period	Amount for last period
Government subsidies	<b>5,970,058.97</b>	8,452,600.00
Interest income	<b>3,237,675.87</b>	2,356,777.60
Refund of acceptance deposit and performance bond	<b>22,550,144.35</b>	
Others	<b>3,934,101.13</b>	10,717,318.26
Total	<b><u>35,691,980.32</u></b>	<u>21,526,695.86</u>

### 41. Other Cash Paid Relating to Operating Activities

Among the "other cash paid relating to operating activities", the items with large amount are listed as follows:

Item	Amount for the period	Amount for last period
Technology development	<b>43,907,735.41</b>	29,952,569.32
Refund of acceptance deposit and performance bond		3,146,921.88
Entertainment expenses	<b>7,127,043.22</b>	6,060,851.80
Office expenses	<b>5,897,980.35</b>	5,541,637.24
Intermediary service fees	<b>4,883,516.69</b>	3,534,573.77
Advertising fee	<b>2,641,579.81</b>	2,999,709.16
Travelling expenses	<b>2,636,128.64</b>	2,556,223.40
Transportation costs	<b>2,327,323.87</b>	2,598,310.11
Labor costs	<b>1,960,899.95</b>	2,393,091.70
Others	<b>13,343,971.43</b>	6,010,735.50
Total	<b><u>84,726,179.37</u></b>	<u>64,794,623.88</u>



(2) Information on cash and cash equivalents

Item	Amount for the period	Amount for last period
<b>I. Cash</b>	<b>329,510,613.46</b>	374,851,465.71
Including: Cash on hand	855,387.08	622,387.71
Bank deposits available for immediate payment	<b>328,655,226.38</b>	374,229,078.00
Other cash fund available for immediate payment		
<b>II. Cash equivalents</b>		
Including: Bond investment due within three months		
<b>III. Closing balance of cash and cash equivalents</b>	<b>329,510,613.46</b>	374,851,465.71

IX. NOTES TO MAJOR ITEMS OF FINANCIAL STATEMENTS OF PARENT COMPANY

1. Accounts Receivable

(1) Breakdown of accounts receivable by categories

Item	Balance	As at the end of the period		
		Percentage %	Bad-debt provision	Percentage of bad-debt provision %
Individually substantial amount of accounts receivable with specific provision (Note 1)	66,392,781.18	78.33	5,888,595.00	8.87
Other individually unsubstantial amount of accounts receivable with specific provision (Note 2)	18,366,508.22	21.67	597,954.51	3.26
Total	84,759,289.40	100.00	6,486,549.51	
Item	Balance	At at the beginning of the year		
		Percentage %	Bad-debt provision	Percentage of bad-debt provision %
Individually substantial amount of accounts receivable with specific provision	56,643,012.73	82.47	5,888,595.00	10.40
Other individually unsubstantial amount of accounts receivable with specific provision	12,036,364.84	17.53	719,036.90	5.97
Total	68,679,377.57	100.00	6,607,631.90	

Individually substantial amount of accounts receivable refers to the single amount accounting for 5% or more of the closing balance or with amount over RMB5,000,000.00.

Note 1. Breakdown of individually substantial amount of accounts receivable with specific provision.

Name of debtor	Amount	Bad-debt provision	Percentage of bad-debt provision %	Reasons for provision
Binhai County Radio and Television Bureau	23,273,100.00	202,095.00	0.87	Present value of the expected future cash flow is lower than its carrying value
Nanjing Panda Handa Technology Co., Ltd.	18,345,835.18			Expected to be recoverable
Heilongjiang Radio and Television Network Co., Ltd.	7,219,920.00			Expected to be recoverable
Ganyu County Radio and Television Network Development Co., Ltd.	6,181,426.00			Expected to be recoverable
Shenzhen No.1 Environmental Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected to be irrecoverable
Shong County Radio and Television Information Network Co., Ltd.	5,686,000.00			Expected to be recoverable
Total	<u>66,392,781.18</u>	<u>5,888,595.00</u>		

Note 2. For other individually unsubstantial amount of accounts receivable with specific provision, a provision of RMB597,954.51 for impairment of the receivable is made at the difference between the carrying amount of the receivable and the present value of its estimated future cash flows.

(2) Ageing analysis of accounts receivable

Aging	As at the end of the period				As at the beginning of the year			
	Amount	Percentage %	Bad-debt provision	Percentage of bad-debt provision %	Amount	Percentage %	Bad-debt provision	Percentage of bad-debt provision %
Within 1 year	66,844,254.89	78.86			59,716,944.74	86.95	36,182.39	0.06
1-2 years	11,668,740.00	13.77	240,255.00	2.06	2,631,238.32	3.83	240,255.00	9.13
2-3 years	5,686,500.00	6.71	5,686,500.00	100.00	5,771,400.00	8.40	5,771,400.00	100.00
Over 3 years	559,794.51	0.66	559,794.51	100.00	559,794.51	0.82	559,794.51	100.00
Total	<u>84,759,289.40</u>	<u>100.00</u>	<u>6,486,549.51</u>		<u>68,679,377.57</u>	<u>100.00</u>	<u>6,607,631.90</u>	

(3) Details of the five largest debtors of accounts receivable at the end of the period

Name of debtor	Amount	Percentage in the total value of the accounts receivable %	Ageing
Binhai County Radio and Television Bureau	23,273,100.00	27.46	Within 1 year, 1-2 years
Nanjing Panda Handa Technology Co., Ltd.	18,345,835.18	21.64	Within 1 year
Heilongjiang Radio and Television Network Co., Ltd.	7,219,920.00	8.52	Within 1 year
Ganyu County Radio and Television Network Development Co., Ltd.	6,181,426.00	7.29	Within 1 year
Shenzhen No.1 Environmental Technology Co., Ltd.	5,686,500.00	6.71	2-3 years
Total	<u>60,706,781.18</u>	<u>71.62</u>	

(4) The closing balance of accounts receivable did not include any amount due from shareholders holding 5% or above of the voting shares of the Company.

(5) The closing balance of accounts receivable included RMB18,913,126.18 due from related parties of the Company, representing 22.31% of total accounts receivable.

## 2. Other Receivables

### (1) Breakdown of other receivables by categories

Item	As at the end of the period			Percentage of bad-debt provision %
	Balance	Percentage %	Bad-debt provision	
Individually substantial amount of other receivables with specific provision (note 1)	205,462,062.04	89.05	19,962,210.73	9.72
Other individually unsubstantial amount of other receivables with specific provision (note 2)	25,257,042.11	10.95	7,346,237.74	29.09
<b>Total</b>	<b>230,719,104.15</b>	<b>100.00</b>	<b>27,308,448.47</b>	
	As at the beginning of the year			Percentage of bad-debt provision %
Item	Balance	Percentage %	Bad-debt provision	
Individually substantial amount of other receivables with specific provision	158,985,376.36	88.25	21,606,736.60	13.59
Other individually unsubstantial amount of other receivables with specific provision	21,165,646.07	11.75	8,575,278.74	40.52
<b>Total</b>	<b>180,151,022.43</b>	<b>100.00</b>	<b>30,182,015.34</b>	

Individually substantial amount of other receivables refers to the single amount accounting for 5% or more of the closing balances or with the amount over RMB5,000,000.00.

Note 1. Individually substantial amount of other receivable with specific provision.

Name of debtor	Amount	Bad-debt provision	Percentage of bad-debt provision %	Reasons for provision
Nanjing Panda Information Industry Co., Ltd.	77,742,374.19	4,394,738.03	5.65	Present value of the expected future cash flow is lower than its carrying value
Galant Limited	59,880,446.17			Expected to be recoverable
Nanjing Panda Electronic Equipment Co., Ltd.	33,283,661.33	2,529,586.83	7.60	Present value of the expected future cash flow is lower than its carrying value
Nanjing Panda International Telecommunication System Co., Ltd.	20,853,961.55	1,048,423.45	5.03	Present value of the expected future cash flow is lower than its carrying value
Nanjing Panda Technology Equipment Co., Ltd.	7,045,778.30	7,045,778.30	100.00	Expected to be irrecoverable
Nanjing Panda Machinery Co., Ltd.	6,655,840.50	4,943,684.12	74.28	Present value of the expected future cash flow is lower than its carrying value
<b>Total</b>	<b>205,462,062.04</b>	<b>19,962,210.73</b>		

Note 2. For individually unsubstantial amount of accounts receivable with specific provision, a provision of RMB7,346,237.74 for impairment of the receivables is made at the difference between the carrying amount of the receivables and the present value of their estimated future cash flows.

(2) Ageing analysis of other receivables

Aging	As at the end of the period				As at the beginning of the year			
	Amount	Percentage %	Bad-debt provision	Percentage of bad-debt provision %	Amount	Percentage %	Bad-debt provision	Percentage of bad-debt provision %
Within 1 year	128,793,016.22	55.82	8,779,808.51	6.82	63,141,917.79	35.05	4,047,027.96	6.41
1-2 years	43,582,924.61	18.89	2,074,366.43	4.76	70,149,392.89	38.94	4,946,120.02	7.05
2-3 years	24,423,210.41	10.59	3,264,196.06	13.37	12,636,467.42	7.01	6,955,973.08	55.05
3-5 years	25,280,489.89	10.96	4,550,614.65	18.00	27,788,850.22	15.43	7,798,500.17	28.06
Over 5 years	8,639,462.82	3.74	8,639,462.82	100.00	6,434,394.11	3.57	6,434,394.11	100.00
Total	<u>230,719,104.15</u>	<u>100.00</u>	<u>27,308,448.47</u>		<u>180,151,022.43</u>	<u>100.00</u>	<u>30,182,015.34</u>	

(3) Details of the five largest debtors of other receivables at the end of the period

Name of debtor	Amount	Percentage in the total value of the other receivables %	Ageing
Nanjing Panda Information Industry Co., Ltd.	77,742,374.19	33.70	Within 1 year
Galant Limited	59,880,446.17	25.95	Within 5 years
Nanjing Panda Electronic Equipment Co., Ltd.	33,283,661.33	14.43	Within 2 years
Nanjing Panda International Telecommunication System Co., Ltd.	20,853,961.55	9.04	Within 2 years
Nanjing Panda Technology Equipment Co., Ltd.	7,045,778.30	3.05	Over 1 year
Total	<u>198,806,221.54</u>	<u>86.17</u>	

(4) The closing balance of other receivables did not include any amount due from shareholders holding 5% or above of the voting shares of the Company.

(5) The closing balance of other receivables included RMB219,130,368.61 due from related parties of the Company, representing 94.98% of total receivables

### 3. Long-term Equity Investment

(1) Details of long-term equity investment

Item	Opening balance	Increase in the period	Decrease in the period	Close balance
Investment in subsidiaries	513,101,811.88	87,645,320.00		<b>600,747,131.88</b>
Investment in associated companies	671,049,578.10	101,385,914.10		<b>772,435,492.20</b>
Other long-term equity investment	3,650,000.00			<b>3,650,000.00</b>
Less: provision for impairment of long-term equity investment	21,436,944.58			<b>21,436,944.58</b>
Total	<u>1,166,364,445.40</u>	<u>189,031,234.10</u>		<u><b>1,355,395,679.50</b></u>

(2) **Details of investment in associated companies and major financial data of the associated companies in the period**

Name of investee	Opening balance	Increase in the period	Decrease in the period	Closing balance	Place of registration	Nature of business
<b>Associated companies</b>						
Beijing SE Putian Mobile Communications Co., Ltd.	215,843,200.00	41,166,219.22		<b>257,009,419.22</b>	Beijing	Manufacturing
Nanjing Huaxian High Technology Company Limited					Nanjing	Technology development
Hua Fei Colour Display Systems Company Limited					Nanjing	Manufacturing
MPower Batteries (Nanjing) Co., Ltd.					Nanjing	Manufacturing
Nanjing Ericsson Panda Communication Company Limited	358,052,670.00	50,863,360.90		<b>408,916,030.90</b>	Nanjing	Manufacturing
Shenzhen Jingwah Electronics Co., Ltd.	97,153,708.10	9,356,333.98		<b>106,510,042.08</b>	Shenzhen	Manufacturing
Interna (Nanjing) Co. Ltd.					Nanjing	Manufacturing
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.					Nanjing	Manufacturing
Total	<u>671,049,578.10</u>	<u>101,385,914.10</u>		<u><b>772,435,492.20</b></u>		

(3) **Long-term equity investment accounted for using equity method**

Name of investee	Investment costs	Opening balance	Investment amount increased in the period (less equity transferred in the year)	Increase/decrease of the investee's equity	Cash dividends received	Closing balance
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	215,843,200.00		41,166,219.22		<b>257,009,419.22</b>
Nanjing Huaxian High Technology Company Limited	10,000,000.00					
Hua Fei Colour Display Systems Company Limited	392,892,722.42					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Company Limited	60,863,279.60	358,052,670.00		50,863,360.90		<b>408,916,030.90</b>
Shenzhen Jingwah Electronics Co., Ltd.	69,687,437.75	97,153,708.10		9,356,333.98		<b>106,510,042.08</b>
Interna (Nanjing) Co. Ltd.	1,750,000.00					
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	34,769,364.00					
Total	<u>624,524,177.45</u>	<u>671,049,578.10</u>		<u>101,385,914.10</u>		<u><b>772,435,492.20</b></u>

**(4) Long-term equity investment accounted for using cost method**

Name of investee	Investment costs	Opening balance	Decrease in		Closing balance	Cash dividends
			the period	the period		
<b>Subsidiaries</b>						
Nanjing Panda Appliance & Apparatus Co. Ltd.	992,700.00	992,706.88			992,706.88	
Nanjing Panda Mechanical Manufacturing Co., Ltd.	7,000,000.00	7,000,000.00			7,000,000.00	
Nanjing Panda Accurate Machinery Co., Ltd.	5,627,934.12	5,627,934.12			5,627,934.12	
Nanjing Panda Technology Equipment Co., Ltd.	5,031,900.00	5,031,944.58			5,031,944.58	
Nanjing Panda Machinery Co., Ltd.	2,582,191.03	2,582,191.03			2,582,191.03	
Nanjing Panda Mechanical and Electrical Equipment Factory	30,042,000.00	30,042,016.46			30,042,016.46	
Nanjing Panda Information Industry Co., Ltd.	81,091,193.98	81,091,193.98	40,645,320.00		121,736,513.98	
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10	111,221,994.10			111,221,994.10	
Nanjing Panda Power Sources Technology Co., Ltd.	8,750,000.00	8,750,000.00			8,750,000.00	
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,100.00	8,271,096.45			8,271,096.45	
Nanjing Panda International Telecommunication System Co., Ltd.	7,655,000.00	7,655,000.00			7,655,000.00	
Nanjing Panda Electronic Technology Development Co., Ltd.	173,250,000.00	173,250,000.00			173,250,000.00	
Nanjing Panda Communication Technology Co., Ltd.	3,018,000.00	1,585,734.28	47,000,000.00		48,585,734.28	
Nanjing Panda Technology Industrial Co., Ltd.	121,989,200.00					
Nanjing Panda Xinxing Industrial Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00	
Nanjing Panda Electronic Equipment Co., Ltd.	50,000,000.00	50,000,000.00			50,000,000.00	
Total	636,523,213.23	513,101,811.88	87,645,320.00		600,747,131.88	

**(5) Provisions for impairment of long-term equity investment**

Name of investee	Opening balance	Provision made in the period	Decrease in the period			Closing Balance
			Reversal	Write-off	Total	
Nanjing Panda Technology Equipment Co., Ltd.	5,031,944.58					5,031,944.58
Nanjing Panda International Telecommunication System Co., Ltd.	7,655,000.00					7,655,000.00
Nanjing Panda Power Sources Technology Co., Ltd.	8,750,000.00					8,750,000.00
Total	21,436,944.58					21,436,944.58

#### 4. Operating Income and Operating Cost

(1) **Income from principal operations and other operations**

<b>Item</b>	<b>Amount for the period</b>	Amount for last period
Income from principal operations	<b>31,820,384.92</b>	28,321,548.71
Income from other operations	<b>12,886,774.26</b>	14,464,945.52
Total operating income	<b>44,707,159.18</b>	42,786,494.23
Cost of principal operations	<b>26,138,040.41</b>	23,323,444.34
Cost of other operations	<b>4,380,849.50</b>	5,611,080.70
Total operating cost	<b>30,518,889.91</b>	28,934,525.04

(2) **Income from, cost and profit of principal operations of each business segment**

<b>Business segment</b>	<b>Amount for the period</b>		
	<b>Income from principal operations</b>	<b>Cost of principal operations</b>	<b>Profit of principal operations</b>
Electronic intelligent products	<b>23,575,784.07</b>	<b>20,435,279.54</b>	<b>3,140,504.53</b>
Others	<b>8,244,600.85</b>	<b>5,702,760.87</b>	<b>2,541,839.98</b>
Total	<b>31,820,384.92</b>	<b>26,138,040.41</b>	<b>5,682,344.51</b>
	<b>Amount for last period</b>		
<b>Business segment</b>	<b>Income from principal operations</b>	<b>Cost of principal operations</b>	<b>Profit of principal operations</b>
Electronic intelligent products	22,349,562.10	20,271,603.69	2,077,958.41
Communication technology products	73,054.72	158,944.73	(85,890.01)
Others	5,898,931.89	2,892,895.92	3,006,035.97
Total	28,321,548.71	23,323,444.34	4,998,104.37

(3) **The Company's principal operations are located in Nanjing**

(4) **Sales revenue from the largest five customers totalled RMB20,645,942.24 for the period, accounting for 64.88% of total sales revenue of the Company.**

## 5. Investment Income

### (1) Listed by items

Source of investment income	Amount for the period	Amount for last period
Long-term equity investment income accounted for at cost		
Long-term equity investment income accounted for at equity	<b>101,385,914.10</b>	40,787,310.76
Total	<b>101,385,914.10</b>	40,787,310.76

### (2) Long-term equity investment income accounted for at equity

Name of investee	Amount for the period	Amount for last period	Remarks
Nanjing Ericsson Panda Communication Company Limited	<b>50,863,360.90</b>	90,114,625.11	
Beijing SE Putian Mobile Communications Co., Ltd.	<b>41,166,219.22</b>	14,490,617.23	
Hua Fei Colour Display Systems Company Limited		(70,694,285.42)	
Shenzhen Jingwah Electronics Co., Ltd.	<b>9,356,333.98</b>	7,335,987.00	
Intenna (Nanjing) Co. Ltd.		(409,787.49)	
Nanjing Huaxian High Technology Company Limited		(49,845.67)	
Total	<b>101,385,914.10</b>	40,787,310.76	

(1) Since i) there was no material difference in the accounting policies and accounting periods adopted by the investee from those of the Company; ii) there was no event affecting the net profit of the investee for the period arising from the difference between fair value and book value of the long-term assets; iii) there was no unrecognized internal gain or loss that needs to be eliminated between the investee and the Company, the Company recognized investment income based on the investee's book value of net profit.

(2) There are no significant restrictions on remittance of investment income to the Company.

## 6. Supplementary Information on Cash Flow Statement

### (1) Information on reconciliation of net profit to cash flows from operating activities

Item	Amount for the period	Amount for last period
<b>1. Reconciliation of net profit to cash flows:</b>		
Net profit	<b>34,933,437.91</b>	(12,755,331.95)
Add: Provision for asset impairment	<b>(2,994,649.26)</b>	(11,817,210.31)
Depreciation of fixed assets	<b>8,940,361.76</b>	8,433,173.86
Amortization of intangible assets	<b>551,993.04</b>	608,759.10
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are represented by "—")	<b>26,241.37</b>	205,340.16
Loss on fixed assets scrapped (gains are represented by "—")		
Loss on change in fair value (gains are represented by "—")		
Financial expense (gains are represented by "—")	<b>10,889,587.80</b>	10,399,455.05
Loss on investment (gains are represented by "—")	<b>(101,385,914.10)</b>	(40,787,310.76)
Decrease in deferred income tax assets (increase is represented by "—")		
Increase in deferred income tax liabilities (decrease is represented by "—")		
Decrease in inventories (increase is represented by "—")	<b>(5,478,131.88)</b>	1,176,142.70
Decrease in trade receivables (Increase is represented by "—")	<b>(54,470,632.16)</b>	(595,961.83)
Increase in trade payables (Decrease is represented by "—")	<b>51,679,297.40</b>	99,066,230.88
Others		
Net cash flow from operating activities	<b>(57,308,408.12)</b>	53,933,286.90
<b>2. Material investment and financial activities not involving cash inflow or outflow:</b>		
Debt capitalization		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
<b>3. Net change in cash and cash equivalents:</b>		
Cash balance as at end of the period	<b>53,427,398.18</b>	60,331,746.89
Less: cash balance as at beginning of the period	<b>58,995,526.58</b>	151,591,454.98
Add: balance of cash equivalents as at end of the period		
Less: balance of cash equivalents as at beginning of the period		
Net increase in cash and cash equivalents	<b>(5,568,128.40)</b>	(91,259,708.09)

### (2) Information on cash and cash equivalents

Item	Amount for the period	Amount for last period
<b>I. Cash</b>	<b>53,427,398.18</b>	60,331,746.89
Including: Cash on hand	<b>548,558.08</b>	177,277.03
Bank deposit available for immediate payment	<b>52,878,840.10</b>	60,154,469.86
Other cash fund available for immediate payment		
<b>II. Cash equivalents</b>		
Including: Bond investment due within three months		
<b>III. Closing balance of cash and cash equivalents</b>	<b>53,427,398.18</b>	60,331,746.89

## X. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

### (I) Related parties

#### 1. Recognition standards for a related party

Recognition standards for a related party: In case a party controls, commonly controls or exerts significant influence over another party, or in case two or more parties are under exclusive control, common control or significant influence of the same party, they shall constitute related parties. Recognition standards for a related party in 2012: During the financial and business decision-makings, in case that a party is able to directly or indirectly control, commonly control over another party or exerts significant influence over another party or in case two or more parties are under exclusive control, the Company deems it as a related party.

#### 2. Parent Company of the Company

Name of the parent company	Code of organization	Legal representative	Type of company	Place of registration	Nature of business	Registered capital	Shareholding percentage in the Company %	Voting right percentage in the Company %
Panda Electronics Group Limited	134883152	Xu Guofei	Limited liability company	Nanjing	Manufacturing economy and technology development zone	RMB 1,266,060,000	51.10	51.10

#### 3. Subsidiaries of the Company

Name of subsidiary	Code of organization	Legal representative	Place of registration	Name of subsidiaries	Registered capital	Total shareholding percentage of the Company %	Total voting right percentage of the Company %
Nanjing Panda Accurate Machinery Co., Ltd.	70416403-8	Xu Guofei	Nanjing	Manufacturing	RMB5 million	100	100
Nanjing Panda Technology Equipment Co., Ltd.	24981058-6	Xu Guofei	Nanjing	Manufacturing	RMB5 million	100	100
Nanjing Panda Power Sources Technology Co., Ltd.	76816539-8	Zhou Guixiang	Nanjing	Manufacturing	RMB11 million	79.55	79.55
Nanjing Panda Information Industry Co., Ltd.	60897073-4	Xia Dechuan	Nanjing	Manufacturing	USD23 million	100	100
Panda Hua Ge Appliance and Plastic Industrial Co., Ltd.	73316319-X	Wang Wenbo	Nanjing	Manufacturing	RMB60 million	100	100
Nanjing Panda Appliance & Apparatus Co., Ltd.	72457423-7	Zhong Danju	Nanjing	Manufacturing and software	RMB1 million	85.1	85.1
Nanjing Panda International Telecommunication System Co., Ltd.	60892596-8	Dong Zhiming	Nanjing	Manufacturing	USD1.24 million	72	72
Nanjing Panda Electronic Manufacture Co., Ltd.	76214760-7	Zhou Guixiang	Nanjing	Manufacturing	USD20 million	100	100
Nanjing Guanghua Electronics Plastic Casings Factory	13491197-7	Zhou Guixiang	Nanjing	Services	RMB11,497,600	100	100
Nanjing Panda Machinery Co., Ltd.	73317462-2	Liu Guozhong	Nanjing	Manufacturing	RMB3 million	85.82	85.82
Nanjing Panda Mechanical Manufacturing Co., Ltd.	72603764-9	He Shulin	Nanjing	Manufacturing	RMB10 million	70	70
Nanjing Panda Mechanical and Electrical Equipment Factory	13506466-9	He Zaiding	Nanjing	Services	RMB45 million	99.11	100
Nanjing Panda System Integration Co., Ltd.	74237045-7	Liu Changhua	Nanjing	Engineering software	RMB3 million	54.37	54.37
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	73888466-6	Guo Qing	Nanjing	Manufacturing	RMB10 million	70	70
Nanjing Panda Xinxing Industrial Co., Ltd.	69043834-0	Wen Yuan	Nanjing	Services	RMB20 million	100	100
Nanjing Panda Electronic Equipment Co., Ltd.	69460069-1	He Zaiding	Nanjing	Manufacturing	RMB50 million	100	100
Nanjing Panda Communication Technology Co., Ltd.	777014380	Dong Zhiming	Nanjing	Manufacturing	RMB50 million	100	100
Nanjing Panda Electronic Technology Development Co., Ltd.	56721194-1	Wen Yuan	Nanjing	Manufacturing	RMB250 million	100	100
Galant Limited	1006135	Xu Guofei	Hong Kong	Research and development of communication products	HKD1	100	100

#### 4. Related Parties with Non-Controlling Relationship

Name of related party	Code of organization	Relationship with the Company
Nanjing Hong Ye Television Co. Ltd.	716223402	Subsidiary of the Group
Nanjing 21st Century Electronic and Technology Square Company Limited	71627148X	Subsidiary of the Group
Nanjing Panda Garden Property Management Centre	134961667	Subsidiary of the Group
Nanjing Panda Electronic Technology Development Company Limited	134870044	Subsidiary of the Group
Nanjing Panda Electronics Transportation Company	134888519	Subsidiary of the Group
Nanjing Panda Construction and Decoration Engineering Co., Ltd.	134941148	Subsidiary of the Group
Nanjing Panda Piezoelectric Technology Co., Ltd.	742394272	Subsidiary of the Group
Nanjing Zhen Hua Packing Material Plant	13487319X	Subsidiary of the Group
Nanjing Panda Electronics Import & Export Co., Ltd.	134850684	Subsidiary of the Group
Nanjing Panda Handa Technology Co., Ltd.	79710227-3	Subsidiary of the Group
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	79712003-3	Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd.	765031909	Subsidiary of the Group
Panda Electronics Material Usage Co., Ltd.	134888156	Subsidiary of the Group
Nanjing Electronics Calibration co., Ltd.	13487289-1	Subsidiary of the Group
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	690402137	Subsidiary of the Group
Nanjing Panda Electronics Import & Export (HK) Co., Ltd.		Subsidiary of the Group
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	608977514	Associated company
Panda Electronics (Kunshan) Co. Ltd.	718679729	Associated company of the Company's subsidiary
Nanjing Ericsson Panda Communication Company Limited	60891684-2	Associated company
Nanjing Huaxian High Technology Company Limited	78711237-1	Associated company
Intenna (Nanjing) Co. Ltd.	60898216-1	Associated company
Nanjing Thales Panda Transportation System Company Limited	76819214-2	Associated company of the Company's subsidiary
Hua Fei Color Display Systems Co., Ltd.	608910950	Associated company

#### (II) Pricing policy

Pricing for transactions between the Company and its related parties is based on fair price in the market.

#### (III) Transactions with related parties

##### 1. Purchase of goods

Name of related party	Content of transactions	Pricing policy and decision making process	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
Nanjing Panda Electronics Import & Export Co., Ltd.	Electronic products	Market price	11,734,700.86	1.51	15,101,844.44	2.34
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Electronic products	Market price	4,981,675.22	0.64	76,923.08	0.01
Nanjing Zhen Hua Packing Material Plant	Packing materials	Market price	1,390,162.43	0.18	1,466,838.35	0.23
Nanjing Huaxian High Technology Company Limited	Electronic products	Market price	679,503.19	0.09		
Nanjing Thales Panda Transportation System Company Limited	Electronic products	Market price	427,350.43	0.06		
Total			19,213,392.13	2.48	16,645,605.87	2.58

## 2. Receipt of services

Name of related party	Content of transactions	Pricing policy and decision making process	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
Nanjing Panda Electronics Transportation Company	Receipt of services	Market price	1,027,195.90	1.48	945,754.00	0.42
Panda Electronics Group Limited	Receipt of services	Market price	561,530.53	0.81	32,808.92	0.01
Nanjing Electronics Calibration Co., Ltd.	Receipt of services	Market price	88,818.00	0.13	74,186.00	0.03
Nanjing Panda Electronics Technology Development Company Limited	Receipt of services	Market price	87,000.00	0.13	607,042.03	0.27
Nanjing Panda Construction and Decoration Engineering Co., Ltd.	Receipt of services	Market price			513,746.39	0.23
Total			1,764,544.43	2.55	2,173,537.34	0.96

## 3. Sales of products

Name of related party	Content of transactions	Pricing policy and decision making process	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
Nanjing Panda Electronics Import & Export (HK) Co., Ltd.	Electronic products	Market price	21,353,308.63	2.40		
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Electronic products	Market price	18,724,794.12	2.11	5,655,774.88	0.73
Nanjing Panda Handa Technology Co., Ltd.	Electronic products	Market price	10,389,826.36	1.17	15,096,541.86	1.95
Nanjing Panda Electronics Import & Export Co., Ltd.	Electronic products	Market price	7,551,145.33	0.85	20,038,986.01	2.59
Nanjing Thales Panda Transportation System Company Limited	Electronic products	Market price	2,991,923.08	0.34	3,930,453.84	0.51
Nanjing Ericsson Panda Communication Company Limited	Electronic products	Market price	2,833,606.88	0.32	19,515,758.84	2.52
Nanjing Panda Piezoelectric Technology Co., Ltd.	Electronic products	Market price	25,897.41		43,205.13	0.01
Nanjing Panda Electronics Transportation Company	Electronic products	Market price	15,090.76		14,188.92	
Nanjing Huaxian High Technology Company Limited	Electronic products	Market price	2,280.34			
Nanjing Panda Electronics Technology Development Company Limited	Electronic products	Market price			674,899.16	0.09
Panda Electronics Group Limited	Electronic products	Market price			38,290.60	0.01
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	Electronic products	Market price			4,774.92	
Total			63,887,872.91	7.19	65,012,874.16	8.41

#### 4. Provision of services

Name of related party	Content of transactions	Pricing policy and decision making process	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
Nanjing Ericsson Panda Communication Company Limited	Provision of services	Market price	17,766,014.33	11.06	64,161,419.26	60.39
Nanjing Panda Hunda Technology Co., Ltd.	Provision of services	Market price	11,931,314.50	7.43	6,315,800.00	5.95
Panda Electronics Group Limited	Provision of services	Market price	500,000.00	0.31	500,000.00	0.47
Panda Electronics Material Usage Co., Ltd.	Provision of services	Market price	188,034.18	0.12		
Nanjing 21st Century Electronic and Technology Square Company Limited	Provision of services	Market price	82,500.00	0.05	82,500.00	0.08
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Provision of services	Market price	68,764.00	0.04		
Nanjing Panda Electronics Import & Export Co., Ltd.	Provision of services	Market price	33,810.00	0.02		
Nanjing Panda Electronics Transportation Company	Provision of services	Market price	12,138.00	0.01	12,054.64	0.01
Nanjing Huaxian High Technology Company Limited	Provision of services	Market price	5,435.90			
Nanjing Panda Huaxian Technology Industrial Co., Ltd.	Provision of services	Market price			25,225.22	0.02
Total			30,588,010.91	19.04	71,096,999.12	66.92

#### 5. Provision of guarantee

- (1) The Company provided a maximum amount guarantee for a comprehensive credit line of RMB40,000,000.00 granted by Jiangsu Bank Co., Ltd. to Nanjing Panda Huage Appliance and Plastic Industrial Co., Ltd., a subsidiary of the Company, for a term expiring in two years after the maturity of such debts (including rollover periods). Nanjing Panda Huage Appliance and Plastic Industrial Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, a loan of RMB20,000,000.00 had been drawn down, with a term from 22 November 2011 to 21 November 2012.

The Company provided a joint and several liability guarantee for a credit line of RMB10,000,000.00 granted by Bank of Nanjing to Nanjing Panda Huage Appliance and Plastic Industrial Co., Ltd., a subsidiary of the Company, for a term expiring in two years after the maturity of liabilities under relevant master contract, and Nanjing Panda Huage Appliance and Plastic Industrial Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, a loan of RMB10,000,000.00 had been drawn down, with a term from 6 January 2012 to 5 January 2013.

- (2) The Company provided a maximum amount guarantee for a credit line of RMB20,000,000.00 granted by Hua Xia Bank to Nanjing Panda Information Industry Co. Ltd., a subsidiary of the Company. The term of the credit line is from 30 June 2011 to 30 June 2012 and the guarantee expires in two years after the maturity of each loan. Nanjing Panda Information Industry Co. Ltd. provided counter guarantee with all its assets. As at 30 June 2012, RMB11,624,487.30 of the credit line had been utilized, among which, the Company provided guarantee for bank loans of RMB5,000,000.00 and for bank acceptance of RMB6,624,487.30.

The Company provided a maximum irrevocable guarantee for a comprehensive credit line of RMB35,000,000.00 granted by Nanjing Branch of China Merchants Bank to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company. Nanjing Panda Information Industry Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, RMB32,136,001.76 of the credit line had been utilized, among which, the Company provided guarantee for bank loan of RMB20,000,000.00, bank acceptance of RMB4,663,123.50 as well as secured promissory notes of RMB7,472,878.26.

The Company provided a maximum amount guarantee for a comprehensive credit line of RMB135,000,000.00 granted by Nanjing Branch of Ningbo Bank Co., Ltd. to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company for a term from 18 June 2012 to 30 June 2013. Nanjing Panda Information Industry Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, RMB44,214,621.38 of the credit line had been utilized, among which, the Company provided guarantee for bank acceptance of RMB150,000.00 and secured promissory notes of RMB44,064,621.38.

- (3) The Company provided an irrevocable guarantee for bank loan facility of RMB5,000,000.00 granted to Nanjing Panda Mechanical Manufacturing Co., Ltd., a subsidiary of the Company, from Nanjing Branch of China Merchants Bank. Nanjing Panda Mechanical Manufacturing Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, the loan amounted to RMB5,000,000.00 with a term from 11 April 2012 to 11 April 2013.
- (4) The Company provided a maximum amount guarantee for a comprehensive credit line of RMB30,000,000.00 granted to Nanjing Panda Electronic Manufacturing Co., Ltd., a subsidiary of the Company, with a term from 13 December 2011 to 19 July 2012, from Nanjing Muxuyuan Sub-branch of Industrial Bank Co., Ltd. Nanjing Panda Electronic Manufacturing Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, no loan had been drawn down.

The Company provided a maximum amount guarantee for a credit line of RMB10,000,000.00 granted by Nanjing Branch of Shenzhen Development Bank Co., Ltd. to Nanjing Panda Electronic Manufacturing Co. Ltd., a subsidiary of the Company, for a term expiring in two years after the maturity of each loan. Nanjing Panda Electronic Manufacturing Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, no loan had been drawn down.

- (5) The Company provided a maximum amount guarantee for a comprehensive credit line of RMB20,000,000.00 granted by Nanjing Branch of Shanghai Pudong Development Bank to Nanjing Panda Electronic Equipment Co., Ltd., a subsidiary of the Company. Nanjing Panda Electronic Equipment Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2012, RMB18,424,023.70 of the credit line had been utilized, among which, the Company provided guarantee for bank loans of RMB17,000,000.00 and for bank acceptance of RMB1,424,023.70.

As at 30 June 2012, the guarantees provided by the Company to its subsidiaries amounted to RMB141,399,134.14 (2011: RMB97,926,393.30).

## 6. Acceptance of guarantee

- (1) Panda Electronics Group Limited, the controlling shareholder of the Company entered into an irrevocable letter of guarantee with Chengdong Sub-branch of Nanjing Branch of China Merchants Bank in April 2012, providing guarantee for credit facilities of RMB90,000,000.00 granted to the Company by Chengdong Sub-branch of Nanjing Branch of China Merchants Bank for a credit period from 6 April 2012 to 6 April 2013. As at 30 June 2012, details of outstanding borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing amount	Term
Nanjing Panda Electronics Company Limited	Chengdong Sub-branch of Nanjing Branch of China Merchants Bank	50,000,000.00	2012.04.06-2013.04.06
Nanjing Panda Electronics Company Limited	Chengdong Sub-branch of Nanjing Branch of China Merchants Bank	40,000,000.00	2012.04.17-2013.04.17
Total		<u>90,000,000.00</u>	

- (2) Panda Electronics Group Limited, the controlling shareholder of the Company, entered into a guarantee contract with Nanjing Branch of Hua Xia Bank in March 2012, providing guarantee for borrowings granted to the Company by Nanjing Branch of Hua Xia Bank. The borrowings amounted to RMB50,000,000.00 with a term from 8 March 2012 to 8 March 2013.
- (3) Panda Electronics Group Limited, the controlling shareholder of the Company entered into an irrevocable letter of guarantee with Jiangsu Branch of Bank of Communications, providing guarantee for credit facilities of RMB150,000,000.00 granted to the Company by Jiangsu Branch of Bank of Communication. As at 30 June 2012, details of outstanding borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing amount	Term
Nanjing Panda Electronics Company Limited	Jiangsu Branch of Bank of Communications	45,000,000.00	2012.03.30-2013.03.26
Nanjing Panda Electronics Company Limited	Jiangsu Branch of Bank of Communications	85,000,000.00	2012.03.30-2013.03.28
Nanjing Panda Electronics Company Limited	Jiangsu Branch of Bank of Communications	20,000,000.00	2012.05.24-2013.05.23
Total		<u>150,000,000.00</u>	

- (4) Panda Electronics Group Limited, the controlling shareholder of the Company entered into a guarantee contract with Chengdong Sub-branch of Bank of Nanjing in June 2012, providing guarantee for a loan of RMB20,000,000.00 granted to the Company by Chengdong Sub-branch of Bank of Nanjing with a term from 29 June 2012 to 28 June 2013.
- (5) Panda Electronics Group Limited, the controlling shareholder of the Company entered into a guarantee contract with Nanjing Branch of Shenzhen Development Bank, providing guarantee for a comprehensive credit line of RMB30,000,000.00 granted to the Company by Nanjing Branch of Shenzhen Development Bank. As at 30 June 2012, Panda Electronics Group Limited provided guarantee for bank acceptance of RMB10,000,000.00 of the Company issued by this bank.

As at 30 June 2012, the guarantees provided by the Company's controlling shareholder Panda Electronics Group Limited to the Company amounted to RMB320,000,000.00 (2011: RMB170,000,000.00).

#### 7. Assets leased out

Name of related party	Amount for the period Amount	Amount for last period Amount
Nanjing Panda Handa Technology Co., Ltd.	2,999,040.00	
Nanjing Panda Electronics Transportation Company	1,132,221.64	400,629.17
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	111,984.00	
Nanjing Panda Electronics Import & Export Co., Ltd.	55,200.00	
Total	<u>4,298,445.64</u>	<u>400,629.17</u>

8. Balances due from/to related parties

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
<b>Accounts receivable</b>				
Nanjing Panda Handa Technology Co., Ltd.	24,826,251.66	19,184,398.16		
Nanjing Panda Electronics Import & Export Co., Ltd.	8,499,031.22	9,062,065.07		
Nanjing Ericsson Panda Communication Company Limited	5,594,785.06	11,795,415.81		
Nanjing Thales Panda Transportation System Company Limited	3,501,393.63	1,505,496.96		
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2,167,062.96	534,383.82		
Panda Electronics Group Limited	1,465,168.30	962,224.50		
Nanjing Panda Electronics Transportation Company	199,674.62			
Nanjing Panda Electronics Technology Development Company Limited	169,506.00	369,506.00		
Panda (Beijing) International Information Technology Co., Ltd.	107,685.29	107,685.29		
Panda Electronics (Kunshan) Co. Ltd.	35,850.00	35,850.00		
Hua Fei Colour Display Systems Company Limited	33,450.00	33,450.00		
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	24,981.65	24,981.65		
Nanjing Huaxian High Technology Company Limited	9,028.00			
Nanjing Electronics Calibration Co., Ltd.	3,780.00	3,780.00		
Total	<b>46,637,648.39</b>	43,619,237.26		

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
<b>Accounts receivable</b>				
<b>— provision for bad debts</b>				
Nanjing Ericsson Panda Communication Company Limited	135,654.50	2,721.29		
Panda (Beijing) International Information Technology Co., Ltd.	107,685.29	107,685.29		
Panda Electronics (Kunshan) Co. Ltd.	35,850.00	35,850.00		
Hua Fei Colour Display Systems Company Limited	33,450.00	33,450.00		
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	24,981.65	24,981.65		
Panda Electronics Group Limited	8,820.80	12,354.50		
Nanjing Thales Panda Transportation System Company Limited	381.99	381.99		
Nanjing Panda Electronics Import & Export Co., Ltd.		9,778.35		
Nanjing Panda Handa Technology Co., Ltd.		2,980.03		
Total	<b>346,824.23</b>	230,183.10		
<b>Prepayments</b>				
Nanjing Panda Electronics Technology Development Company Limited	258,500.00	5,647,038.95		
Nanjing Huaxian High Technology Company Limited	384,981.27			
Total	<b>643,481.27</b>	5,647,038.95		
<b>Other receivables</b>				
Panda Electronics (Kunshan) Co. Ltd.	2,799,417.23	2,799,417.23		
Total	<b>2,799,417.23</b>	2,799,417.23		
<b>Other receivables</b>				
<b>— provision for bad debts</b>				
Panda Electronics (Kunshan) Co. Ltd.	2,799,417.23	2,799,417.23		
Total	<b>2,799,417.23</b>	2,799,417.23		

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
<b>Accounts payable</b>				
Nanjing Panda Electronics Import & Export Co., Ltd.	19,155,714.12	14,113,421.57		
Nanjing Zhen Hua Packing Material Plant	2,538,150.18	2,075,772.90		
Panda Electronics Group Limited	714,631.68	4,086,716.39		
Nanjing Panda Electronics Technology Development Company Limited	459,663.06	471,110.71		
Nanjing Panda Electronics Transportation Company	449,612.39	490,042.39		
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	98,268.38	90,072.53		
Panda Electronics (Kunshan) Co. Ltd.	63,139.64	63,139.64		
Nanjing Thales Panda Transportation System Company Limited	16,410.02	16,410.02		
Nanjing Electronics Calibration Co., Ltd.	15,304.00	9,992.00		
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	9,912.00	9,912.00		
Total	<b>23,520,805.47</b>	<b>21,426,590.15</b>		
<b>Advances from customers</b>				
Nanjing Panda Huaxin Technology Industrial Co., Ltd.	11,577.75	11,577.75		
Nanjing Panda Electronics Import & Export (HK) Co., Ltd.		6,357,442.06		
Nanjing Panda Electronics Transportation Company		538,313.32		
Nanjing Panda Handa Technology Co., Ltd.		184,620.80		
Total	<b>11,577.75</b>	<b>7,091,953.93</b>		
<b>Other payables</b>				
Panda Electronics Group Limited	5,131,191.40	7,416,030.00		
Intenna (Nanjing) Co. Ltd.	2,155,073.67	2,175,073.67		
Nanjing Panda Electronics Technology Development Company Limited	84,000.00	134,000.00		
Nanjing Panda Garden Property Management Centre	52,459.98	51,831.26		
Nanjing Panda Electronics Transportation Company	26,862.60	14,562.60		
Nanjing Panda Piezoelectric Technology Co., Ltd.	200.00	200.00		
Panda Electronics (Kunshan) Co. Ltd.	300,000.00	300,000.00		
Panda (Beijing) International Information Technology Co., Ltd.	45,588.91	45,588.91		
Total	<b>7,795,376.56</b>	<b>10,137,286.44</b>		
<b>Dividends payable</b>				
Panda Electronics Group Limited	16,735,750.00			
Total	<b>16,735,750.00</b>			

## XI. CONTINGENCIES

1. Please refer to Note X(III)5 for the guarantees provided by the Company for bank borrowings of its subsidiaries.
2. Save as disclosed above, the Company did not have any material contingent issues required to be disclosed as at 30 June 2012.

## XII. COMMITMENTS

### 1. Operating lease commitments

The future aggregate minimum lease payments payable under non-cancelable operating leases are as follows:

	<b>Closing balance</b>	Opening balance
Within 1 year	<b>1,753,592.00</b>	1,845,592.00
1-2 years	<b>521,523.00</b>	1,346,769.00
2-3 years	<b>93,600.00</b>	93,600.00
Over 3 years	<b>15,600.00</b>	62,400.00
	<hr/> <b>2,384,315.00</b> <hr/>	<hr/> 3,348,361.00 <hr/>
Total	<b>2,384,315.00</b>	3,348,361.00

### 2. Capital expenditure commitments

Capital expenditures contracted for at the balance sheet date but not included in the balance sheet are as follows:

	<b>Closing balance</b>	Opening balance
Buildings and structures	<b>19,667,349.45</b>	14,841,953.04
	<hr/> <b>19,667,349.45</b> <hr/>	<hr/> 14,841,953.04 <hr/>

## XIII. POST BALANCE SHEET EVENTS

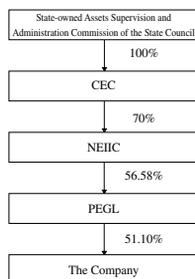
There were no other material post balance sheet events in the Company as at the date when the financial report was approved for issue.

#### XIV. OTHER SIGNIFICANT EVENTS

1. Pursuant to the approval letter in respect of the transfer of certain state-owned equity interest in Panda Electronics Group Limited at nil consideration issued by 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) on 1 March 2012, it approved that the 22.07%, 21.59% and 4.32% of state-owned equity interest in Panda Electronics Group Limited ("PEGL") held respectively by Nanjing Xingang Development Corporation (南京新港開發總公司), Jiangsu Provincial Guo Xin Asset Management Group Ltd. (江蘇省國信資產管理集團有限公司) and Nanjing Municipal State-owned Assets Operation (Holding) Company (南京市國有資產經營(控股)有限公司) be transferred to Nanjing Electronics Information Industrial Corporation ("NEIC") at nil consideration. The State-owned Assets Supervision and Administration Commission of the State Council issued an approval letter in respect of the change of ultimate controller of the Company as a result of the transfer of equity interest of PEGL at nil consideration (Guo Zi Chan Quan No. [2012]158). Pursuant to the approval, the ultimate controller of the Company will be changed to China Electronics Corporation (中國電子信息產業集團有限公司) ("CEC") upon completion of the transfer of equity interest in PEGL at nil consideration. CEC and its party acting in concert, NEIC, have reported to China Securities Regulatory Commission ("CSRC") the said change of ultimate controller of the Company pursuant to the "Administrative Measures for the Takeover of Listed Companies", and submitted an application for a waiver from general offer obligations by way of summary procedures. CSRC has issued an approval in respect of the report of acquisition of the Company filed by them and their application for a waiver from acquisition of the Company by way of general offer, with no objection to the report of acquisition of the Company and granted the waiver from general offer obligations arising from obtaining control of the Company due to transfer of state-owned assets.

On 18 July 2012, the Company received, through its agency, the letter issued by the Securities and Futures Commission of Hong Kong ("SFC"). According to this letter, the SFC has given its reply to the application of CEC and its party acting in concert, NEIC (collectively, the "Applicants") for a waiver from the mandatory offer obligation under Rule 26.1(a) of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), that the chain principle under Note 8 applies, and in the opinion of the SFC, no general offer obligation will be triggered on the part of the Applicants and Rule 26.1(a) of the Takeovers Code does not apply to the said acquisition.

Upon completion of the procedures for change of registration with relevant industry and commerce authorities by PEGL, the controlling shareholder of the Company, the diagram of the shareholding and controlling relationship between the Company and its ultimate controller will be changed to:



2. As resolved at the 2011 second extraordinary general meeting of the Company held on 28 December 2011, the Company provided a guarantee to its controlled subsidiary Nanjing Panda Information Industry Co., Ltd. for financing in the sum of RMB120 million until 30 June 2013; as resolved at the 2011 annual general meeting of the Company held on 31 May 2012, the Company provided a guarantee to its controlled subsidiary Nanjing Panda Information Industry Co., Ltd. in respect of financing guarantee(s) for the sum of RMB180 million until 30 June 2013. As resolved at the 2011 second extraordinary general meeting of the Company held on 28 December 2011, the Company provided a guarantee to its controlled subsidiary Nanjing Panda Electronics Equipment Co., Ltd. for financing in the sum of RMB70 million until 30 June 2013. As resolved at the 2009 annual general meeting of the Company held on 30 June 2010, the Company provided guarantees to its controlled subsidiaries Nanjing Panda Electronic Manufacture Co., Ltd., Nanjing Huage Appliance and Plastic Industrial Co., Ltd. and Nanjing Panda Mechanical Manufacturing Co., Ltd. for financing in the sum of RMB50 million, RMB60 million and RMB15 million, respectively, until 30 June 2013.
3. Panda Electronics Group Limited ("PEGL"), the controlling shareholder of the Company, pledged its interest in 167,350,000 circulating shares (representing approximately 25.55% of the issued share capital of the Company) of the Company held by it in favour of a syndicate of banks comprising China Electronics Financial Co., Ltd., Bank of Communications Co., Ltd. (Jiangsu Branch) and China Construction Bank Corporation (Nanjing Zhongyongmen Sub-branch) as security for a 2-year term loan facility of RMB700 million granted to Nanjing Panda Handa Technology Co., Ltd., a wholly owned subsidiary of PEGL. On 28 November 2011, PEGL completed the equity pledge registration procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

4. Lease

Details of operating lease of the Company as a lessor during the reporting period are as follows:

<b>Categories of assets leased out</b>	<b>Closing balance</b>	Opening balance
Buildings and structures	<b>58,784,252.02</b>	61,995,460.16
Total	<b>58,784,252.02</b>	61,995,460.16

## XV. RECONCILIATION OF NET ASSETS UNDER HONG KONG AND PRC ACCOUNTING STANDARDS DIFFERENCES (UNIT: RMB'000)

<b>Item</b>	<b>Closing balance</b>	Opening balance
Net assets attributable to the shareholders of the Company under PRC accounting standards and accounting principles generally accepted in Hong Kong	<b>1,606,459</b>	1,587,040
<b>Item</b>	<b>Amount for the period</b>	Amount for last period
Net profit attributable to the shareholders of the Company under PRC accounting standards and accounting principles generally accepted in Hong Kong	<b>52,170</b>	34,839

## SUPPLEMENTARY INFORMATION

### I. Related financial indicators

<b>Profit for the reporting period</b>	<b>Reporting period</b>	<b>Return on net assets (%)</b>		<b>Earnings per share (RMB/share)</b>	
		<b>Reporting period</b>	<b>Weighted average</b>	<b>Basic earnings per share</b>	<b>Diluted earnings per share</b>
Net profit attributable to holders of ordinary shares of the Company	Jan-Jun 2012	3.25		0.0796	0.0796
	Jan-Jun 2011	2.33		0.0532	0.0532
Net profit attributable to holders of ordinary shares after extraordinary items	Jan-Jun 2012	2.92		0.0716	0.0716
	Jan-Jun 2011	2.03		0.0462	0.0462

Note: Return on net assets and earnings per share are calculated as follows:

(1) Fully diluted return on net assets

$$\text{Fully diluted return on net assets} = P \div E$$

Including, P represents net profit attributable to holders of ordinary shares of the Company or the net profit attributable to holders of ordinary shares of the Company after deducting extraordinary items; E represents the net assets attributable to holders of ordinary shares of the Company at the end of the reporting period.

In preparation and disclosure of consolidated statements, "Net profit attributable to holders of ordinary shares of the Company" excludes the amount of minority interests; based on the consolidated net profits after deducting minority interests, "Net profit attributable to holders of ordinary shares of the Company after extraordinary items" is deducted with the shares attributable to holders of ordinary shares of the Parent Company from the parent company's extraordinary items (impact of income tax shall be considered) and the non-recurring profit and loss of subsidiaries (impact of income tax shall be considered); "the net assets attributable to holders of ordinary shares of the Company at the end of the reporting period" excludes the amount of minority interests.

- (2) Weighted average return on net assets

$$\text{Weighted average return on net assets} = P / (E0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Including: "P" respectively represents net profit attributable to holders of ordinary shares of the Company and the net profit attributable to holders of ordinary shares of the Company after extraordinary items; "NP" represents net profit attributable to holders of ordinary shares of the Company; "E0" represents net assets attributable to holders of ordinary shares of the Company at the beginning of the reporting period; "Ei" represents net assets attributable to holders of ordinary shares of the Company, arising from the new issue of shares or debt for equity swap during the reporting period; "Ej" represents net assets attributable to holders of ordinary shares of the Company, reduced from repurchase or cash dividend during the reporting period; "M0" represents the months in reporting period and; "Mi" represents the months from the next month of the increase of assets to the end of the reporting period; "Mj" represents the months from the next month of the decrease of assets to the end of the reporting period; "Ek" represents the increase or decrease of net assets arising from other transactions or matters; "Mk" represents the months from the next month of the increase or decrease of other assets to the end of the reporting period.

- (3) Basic earnings per share

$$\text{Basic earning per share} = P \div S$$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Including: "P" represents net profit attributable to holders of ordinary shares of the Company or the net profit after extraordinary items attributable to holders of ordinary shares of the Company; "S" represents the weighted average of outstanding ordinary shares; "S0" represents total number of shares at the beginning of the reporting period; "S1" represents shares increased from Conversion of Reserve into Capital or share dividend distribution; "Si" represents shares increased from issue of new shares or debt to equity during the reporting period; "Sj" represents the reduced shares arising from repurchase during reporting period; "Sk" represents the number of reduced shares during the reporting period; "M0" represents months in the reporting period; "Mi" represents the months from the next month of the increase of shares to the end of the reporting period; "Mj" represents the months from the next month of the decrease of shares to the end of the reporting period.

- (4) Diluted earnings per share

$$\text{Diluted earnings per share} = [P + (\text{interests of the diluted potential ordinary shares determined to be expenses} - \text{conversion expenses}) \times (1 - \text{income tax rate})] / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{increase in the weighted average number of ordinary shares due to warrants, share options and convertible bonds})$$

Including, "P" represents net profit attributable to holders of ordinary shares of the Company or the net profit after extraordinary items attributable to holders of ordinary shares of the Company. "S0" represents total number of shares at the beginning of the reporting period; "S1" represents shares increased from Conversion of Reserve into Capital or share dividend distribution; "Si" represents shares increased from reporting period issue of new shares or debt to equity, etc; "Sj" represents the reduced shares arising from repurchase during reporting period; "Sk" represents the number of reduced shares during the reporting period; "M0" represents months in the reporting period; "Mi" represents the months from the next month of the increase of shares to the end of the reporting period; "Mj" represents the months from the next month of the decrease of shares to the end of the reporting period. In calculating diluted earnings per share, the Company takes into consideration of influence from all diluted potential ordinary shares till diluted earnings per share become minimized.

## II. Statement of extraordinary items

Unit: RMB

Extraordinary Items	Amount for the period	Amount for last period
(1) Gain/loss on disposal of non-current assets, including write-off of provision for asset impairment	(52,927.37)	906,704.31
(2) Tax rebate or tax reduction with ultra vires approval or without official approval document		
(3) Government grants credited to current profit or loss (except for those which are closely related to the Company's ordinary business, in accordance with national policies and continuously received in certain standard amounts and quantities)	6,402,820.00	4,290,032.09
(4) Capital occupation fee received from non-financial enterprises and recorded into the current profit and loss		
(5) Gain arising from investment costs for acquisition of subsidiaries, associates and joint-ventures by the Company being less than its share of fair value of the identifiable net assets of the investees on acquisition		
(6) Gain/loss from exchange of non-monetary assets		
(7) Gain/loss from entrusted investment		
(8) Provision for assets impairment due to force majeure such as natural disasters		
(9) Gain/loss from debt restructuring		
(10) Expenses of enterprise restructuring, such as costs of staff relocation and integration expenses, etc.		
(11) Gain/loss arising from the excess of unfair considerations of transactions over fair values		
(12) Net profit/loss of subsidiaries arising from business combination under common control from the beginning of the period to the combination date		(521,782.63)
(13) Gain/loss arising from contingent events unrelated to the normal course of business of the Company		
(14) Gains from changes in fair values of trading financial assets and trading financial liabilities held by the Company, and investment gains from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities associated with normal business operations of the Company		
(15) Reversal of impairment provision of receivables tested for impairment on individual basis		
(16) Gain/loss on externally entrusted loans		
(17) Gain/loss from changes in fair values of investment properties using fair value method for subsequent measurement		
(18) Effect on current profit or loss of one-off adjustments to current profit or loss made pursuant to taxation and accounting laws and regulations, etc.		
(19) Entrustment fees received from entrusted business		
(20) Non-operating income/expenses other than the above items	224,273.53	896,143.43
(21) Other gains and losses within the definition of extraordinary items		
Sub-total	<b>6,574,166.16</b>	5,571,097.20
Less: Effect of income tax	<b>1,107,948.79</b>	888,481.88
Extraordinary gains and losses after the effect of income tax	<b>5,466,217.37</b>	4,682,615.32
Including: Extraordinary gains and losses		
attributable to owners of the Company	<b>5,258,573.95</b>	4,559,225.62
Extraordinary gains and losses		
attributable to minority shareholders	<b>207,643.42</b>	123,389.70

## **IX. DOCUMENTS AVAILABLE FOR INSPECTION**

1. The Interim Report signed by the Chairman of the Board;
2. The financial report signed and stamped by the person in charge of the Company, the person in charge of accounting work and the person in charge of accounting department (person in charge of accounting matters) of the Company;
3. All the Company's announcements publicly disclosed in Shanghai Securities News and China Securities Journal, and on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange during the reporting period;
4. The articles of association of the Company; and
5. The Interim Report published in Hong Kong securities market.

**The Board of Directors of Nanjing Panda Electronics Company Limited**  
30 August 2012