

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2013

Interim Report

(H Share Stock Code : 0 5 5 3)

(A Share Stock Code : 600775)



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IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee, the directors (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. All Directors attended the ninth meeting of the seventh session of the Board of the Company held on 30 August 2013.
3. The interim financial statements of the Company are unaudited.
4. Mr. Xia Dechuan, the Head of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Liu Xianfang, the Finance Manager, declared that they confirmed the truthfulness and completeness of the financial statements contained in the interim report.
5. The Company does not recommend any profit distribution or capitalization of capital reserve for the first half of 2013.
6. This interim report contains forward-looking statements including future plans and development strategies, which do not constitute actual commitments of the Company to investors. Investors are advised to pay attention to the investment risks involved.
7. Neither the Company's controlling shareholder nor any of its related parties has misappropriated the Company's funds for non-operating purposes.
8. The Company did not provide external guarantees in violation of any stipulated decision-making procedures.

I. DEFINITIONS

Unless otherwise stated in context, the following terms shall have the following meanings in this report:

Definitions of frequently-used terms

Company	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司)
Group	Nanjing Panda Electronics Company Limited and its subsidiaries
PEGL	Panda Electronics Group Limited (熊猫電子集團有限公司)
NEIC	Nanjing Electronics Information Industrial Corporation (南京中電熊猫信息業集團有限公司)
CEC	China Electronics Corporation (中國電子信息產業集團有限公司)
CEC Group	China Electronics Corporation and its subsidiaries
Financial Company	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司)
Electronics Equipment Company	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫電子裝備有限公司)
Information Industry Company	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司)
Electronic Manufacture Company	Nanjing Panda Electronic Manufacture Co., Ltd. (南京熊猫電子製造有限公司)
Communications Technology Company	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有 限公司)
Technology Development Company	Nanjing Panda Electronic Technology Development Company Limited (南京 熊猫電子科技發展有限公司)
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
CSC	China Securities Co., Ltd. (中信建投證券股份有限公司), the lead underwriter for the non-public issue of A shares
"Company Law"	"Company Law of the People's Republic of China"
"Securities Law"	"Securities Law of the People's Republic of China"
"Articles of Association"	"Articles of Association of Nanjing Panda Electronics Company Limited"

II COMPANY PROFILE

I. Corporate Information

Chinese Name of the Company	南京熊猫电子股份有限公司
Abbreviation of the Chinese Name	南京熊猫
English Name of the Company	Nanjing Panda Electronics Company Limited
Abbreviation of the English Name	NPEC
Legal Representative of the Company	Xia Dechuan (General Manager)

II. Contact Persons and Contact Methods

	Secretary to the Board	Securities Affairs Representative
Name	Shen Jianlong	Wang Dongdong
Correspondence Address	301 Zhongshan Road East, Nanjing, the People's Republic of China	301 Zhongshan Road East, Nanjing, the People's Republic of China
Telephone	(86 25) 84801144	(86 25) 84801144
Facsimile	(86 25) 84820729	(86 25) 84820729
Email	dms@panda.cn	dms@panda.cn

III. Changes in Basic Information

Registered Address	Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China
Postal Code	210032
Office Address	301 Zhongshan Road East, Nanjing, the People's Republic of China
Postal Code	210002
Company website	http://www.panda.cn
Email	dms@panda.cn
Information of the Changes during the Reporting Period	N/A

IV. Changes in Place for Information Disclosure and Inspection

Designated Newspaper 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 Hong Kong Stock Exchange: http://www.hkex.com.hk
Place for Inspection of the Company's Interim Report	Office of Secretary of the Board of Directors 301 Zhongshan Road East, Nanjing, the People's Republic of China
Information of the Changes during the Reporting Period	N/A

V. Basic Information of the Company's Shares

Type of shares	Place of listing of the Company's shares	Stock abbreviation	Stock code	Stock abbreviation before changes
A Shares	Shanghai Stock Exchange	Nanjing Panda	600775	N/A
H Shares	Hong Kong Stock Exchange	Nanjing Panda	00553	N/A

VI. Changes in Registration of the Company during the Reporting Period

There is no change in registration of the Company during the Reporting Period.

VII. Other Related Information

Domestic auditors of the Company	Name	Baker Tilly China (Special General Partnership)
	Office address	2/F, Tower B, Huatong Building, No.19 Chegongzhuang Road West Yi, Haidian District, Beijing, the PRC
	Names of signing accountants	Wang Chuanbang, Xu Xinyi
Overseas auditors of the Company	Name	Baker Tilly Hong Kong Limited
	Office address	2nd Floor, 625 King's Road, North Point, Hong Kong
	Names of signing accountants	Edmond Chan
Sponsor performing the duty of continuous supervision during the Reporting Period	Name	China Securities Co., Ltd.
	Office address	No. 188 Chaoyangmennei Avenue, Dongcheng District, Beijing
	Names of signing executives of the sponsor	Xu Rongzong (許榮宗), Luo Guijun (羅貴均)
	Term of continuous supervision	From 28 June 2013 to 31 December 2014
Long-term domestic legal advisers	Name	Yongheng Partners
	Office address	13/F, Changfa Science & Technology Building, 222 Zhujiang Road, Nanjing, the PRC
Long-term overseas legal advisers	Name	Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors
	Office address	23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Queensway, Hong Kong
Name of Custodian in respect of the Non-circulating Shares of the Company	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lu Jia Zui Road, Pudong New District, Shanghai, the PRC
Share Registrar and Transfer Agent (A shares)	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch
	Office address	36/F, China Insurance Building, 166 East Lu Jia Zui Road, Pudong New District, Shanghai, the PRC
Share Registrar and Transfer Agent (H shares)	Name	Hong Kong Registrars Limited
	Office address	46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Bankers	Bank of Communications, Shanghai Pudong Development Bank, China Merchants Bank, Bank of Nanjing	

III ACCOUNTING DATA AND FINANCIAL INDICATORS HIGHLIGHTS

I. Major accounting data and financial indicators of the Company (prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(I) Major accounting data

Unit: RMB (Yuan)

Major accounting data	Reporting Period (January-June 2013)	Corresponding period of last year (January-June 2012)	Changes from corresponding period of last year (%)
Operating income	929,748,025.66	1,056,091,091.83	-11.96
Net profit attributable to shareholders of the Company	83,756,905.51	52,170,438.39	60.54
Net profit attributable to shareholders of the Company after extraordinary items	74,302,413.97	46,911,864.44	58.39
Net cash flow from operating activities	-82,227,421.17	-99,535,966.07	N/A
	As at the end of the Reporting Period (30 June 2013)	As at the end of the previous year (31 December 2012)	Changes from the end of the previous year (%)
Net assets attributable to shareholders of the Company	3,023,615,732.30	1,684,756,014.24	79.47
Total assets	4,459,091,907.65	3,116,256,107.90	43.09

(II) Key financial indicators

Unit: RMB (Yuan)

Key financial indicators	Reporting Period (January-June 2013)	Corresponding period of last year (January-June 2012)	Changes from corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.1265	0.0796	58.92
Diluted earnings per share (RMB/share)	0.1265	0.0796	58.92
Basic earnings per share after extraordinary items (RMB/share)	0.1122	0.0716	56.70
Weighted average return on net assets (%)	4.78	3.25	Increased by 1.53 percentage points
Weighted average return on net assets after extraordinary items (%)	4.24	2.92	Increased by 1.32 percentage points

II. Difference between accounting data prepared under Hong Kong and domestic accounting standards

No differences of net profit and net assets between the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises as applicable to the Group.

III. Extraordinary items

Unit: RMB (Yuan)

Extraordinary items	Amount
Gains and losses from disposal of non-current assets	-1,316,073.50
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) included in gains and losses for the period	11,993,825.00
Other non-operating net income and expenses other than the aforesaid items	280,599.17
Impact on enterprise income tax	-1,515,133.40
Net extraordinary profit and loss attributable to minority shareholders	11,274.27
	<hr/>
Total	9,454,491.54
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IV. REPORT OF THE BOARD OF DIRECTORS

I. Discussion and Analysis on the Operations of the Company during the Reporting Period

In the first half of 2013, the Company centered around its tasks and indicators to deliver good performance in production and operations; financed investment in technology and improved management of scientific research; completed the non-public issuance of A shares to raise RMB1.32 billion; enhanced management of internal control; advanced the construction of key projects to build solid industrial base; promoted marketing by successfully holding important exhibitions. The Company passed the review of Trustworthy Enterprises Always Honoring Contracts (重合同守信用企業) administered by the State Administration for Industry and Commerce and was presented a plaque that read Joint Corporate R&D and Innovation Center of Jiangsu by Jiangsu Economic and Information Technology Commission.

(I) Analysis of principal operations

1. Analysis of changes in related items in the financial statements (prepared in accordance with the PRC Accounting Standards for Business Enterprises (unaudited))

Unit: RMB'000

	Amount for the period	Amount for the same period last year	Change (%)
Operating income	92,974.80	105,609.11	-11.96
Operating cost	79,120.17	93,745.01	-15.60
Selling expenses	2,027.32	1,555.12	30.36
Administrative expenses	13,800.05	12,798.49	7.83
Financial expenses	1,345.64	1,281.12	5.04
Net cash flows from operating activities	-8,222.74	-9,953.60	N/A
Net cash flows from investment activities	-8,909.72	-3,039.55	N/A
Net cash flows from financing activities	146,567.91	11,558.00	1,168.11
R&D expenditure	4,869.63	4,110.45	18.47
Non-operating income	1,303.46	724.42	79.93
Non-operating expenses	185.39	33.65	450.84
Income tax expenses	-458.65	455.65	-200.66

Reasons for the changes:

- (1) Operating income: mainly due to a decrease in revenue from electronic equipment products during the period;
- (2) Operating cost: mainly due to a decrease in revenue from electronic equipment products during the period;
- (3) Selling expenses: mainly due to an increase in advertising expenses during the period;
- (4) Administrative expenses: mainly due to an increase in technology development expenditure and depreciation expenses during the period;
- (5) Financial expenses: mainly due to an increase in average borrowing balances during the period;
- (6) Net cash flows from operating activities: mainly because relatively large amounts of guarantee deposits were recovered during the period;
- (7) Net cash flows from investment activities: mainly due to an increase in investment in the construction of the Xin Gang Park (新港園區) and the Electronic Equipment Industry Park during the period;
- (8) Net cash flows from financing activities: mainly because the proceeds from non-public issuance of A shares were received;
- (9) R&D expenditure: mainly due to an increase in investment in R&D;
- (10) Non-operating income: mainly due to an increase in government grants recognized during the period;
- (11) Non-operating expenses: mainly due to disposal of fixed assets;
- (12) Income tax expenses: mainly due to the income tax refund received in the period.

2. Others

(1) Explanation about material changes in the Company's profit structure or sources

During the Reporting Period, there were no material changes in the Company's profit structure or sources as compared with the previous period.

(2) Explanation about progress of the Company's financing activities and material asset reorganization in the previous period

During the Reporting Period, the Company proceeded with and completed the relevant work related to the non-public issuance of A shares. On 28 June 2013, the Company completed the matters in relation to equity registration for the non-public issuance of shares with Shanghai Branch of China Securities Depository and Clearing Corporation. For details, please refer to relevant announcements published by the Company in the China Securities Journal, Shanghai Securities News and on the website of Shanghai Stock Exchange on 8 November 2012, 26 December 2012, 9 January 2013, 2 April 2013, 20 April 2013, 6 June 2013 and 2 July 2013 respectively, as well as the announcements published by the Company on the website of the Hong Kong Stock Exchange on 8 November 2012, 26 December 2012, 8 January 2013, 1 April 2013, 19 April 2013, 5 June 2013, 1 July 2013 and the circular of the Company published on the website of the Hong Kong Stock Exchange on 7 December 2012.

(3) Explanation about progress in implementation of business plan

During the Reporting Period, the Company continued to steadily push the implementation of all work according to the business plan for 2013, with particulars as follows:

① Revolved around tasks and indicators to deliver good performance in production and operations

In the first half of 2013, the Company revolved around tasks and indicators to deliver good performance in production and operations. Under the PRC Accounting Standards for Business Enterprises, revenue from operations for the first half of 2013 amounted to RMB929,748,000, representing a decrease of 11.96% as compared with the same period last year; total profit amounted to RMB80,026,000, representing an increase of 34.90% as compared with the same period last year; net profit attributable to owners of the Company amounted to RMB83,756,900, representing an increase of 60.54% as compared with the same period last year. Under the Hong Kong Financial Reporting Standards, revenue from principal operations for the first half of 2013 amounted to RMB919,163,100, representing a decrease of 11.77% as compared with the corresponding period last year; profit of principal operations amounted to RMB80,026,000, representing an increase of 34.90% as compared with the corresponding period last year; net profit attributable to shareholders of the Company amounted to RMB83,756,900, representing an increase of 60.54% as compared with the corresponding period last year.

② Financed the investment in technology and improved management of scientific research

In the first half of 2013, the Company invested RMB48,696,300 to complete 15 key scientific research projects, with a number of national-and provincial/ministry-level projects, including the Development and Industrialization of Automatic Fare Collection (AFC) and Ticket Clearance Management Center (ACC) System Software for Rail Transit, passing the acceptance test administered by superior institutions or organizations. The Company formulated the Regulation for Funding R&D Centers at or above City-level, revised the R&D management systems such as the Regulation for Management of Patents and Copyrights, and gave more rewards and support to researchers achieving technological innovation.

③ Completed the non-public issuance of A shares to raise RMB1.32 billion

In the first half of 2013, the Company proceeded with and completed the relevant work related to non-public issuance of A shares, raising RMB1.32 billion from the issuance of 258,823,529 A shares ("Non-public Issue of A Shares") to nine investors including NEIC, which gave fresh impetus for the Company's future development. Through this non-public issuance, the Company further optimized its assets structure, industrial structure, product mix and organizational structure to reduce financial and management cost. The proceeds were applied to the automation equipment industrialization project, communications equipment industrialization project, electronic transport equipment industrialization project and R&D center project. The implementation of projects funded by proceeds further defined the development direction of the Company's principal operations and accelerated industrial restructuring, transformation and upgrading.

④ Improved internal control and fostered management improvement

In the first half of 2013, to improve the effective implementation and continuous improvement of internal control, based on the regulation of listed companies by regulatory bodies such as CSRC and Shanghai Stock Exchange as well as the Company's own internal control requirements, the Company was thorough with day-to-day monitoring, financial monitoring and auditing and focused on important matters in the course of corporate management, key risk control areas and improvement after discovery of flaws, pursuant to the Basic Standards for Enterprise Internal Control and the Guidelines for Assessing Enterprise Internal Control. The Company carried out an internal control assessment plan and finished on-site auditing of the head office and subsidiaries of the Company and also had an assessment of the Company's internal control and released an assessment report in accordance with the information disclosure requirement for listed companies. The Company analyzed in earnest the problems and risks discovered by the internal control assessment and made the 8th amendment to the management regulations of the Company. The Company introduced 4 new sets of rules including Rules for Managing Acceptances, amended 17 sets of rules such as Financial Management Regulations and carried out examinations of the compliance with key regulations such as Rules for Managing Receivables and Rules for Managing Contracts.

⑤ Focus on construction of key projects to lay a good foundation for production

The Electronic Equipment Industry Park and the Electronic Manufacturing Industry Park have been the key projects for the Company in recent years. 180,000 square meters of land were used for the first phase of the Electronic Equipment Industry Park and the planned building area was 105,000 square meters. This park would provide plants for manufacturing equipment and office space for the automation equipment industrialization project, communication equipment industrialization project, traffic electronic equipment industrialization project and R&D center project as well as supporting scientific research training facilities, warehousing and logistics etc. In the first half of 2013, the main body of 5 plants and the power center in the Electronic Equipment Industry Park was checked and accepted. The construction of the main body of R&D center is well under way and its interior design plan is being considered. Also, the main body of one plant in the Electronic Manufacturing Industry Park has been checked and accepted.

⑥ Attended key trade fairs and enhanced marketing

In the first half of 2013, the Company attended some trade fairs with nationwide influence, including the 21st China Content Broadcasting Network Exhibition, the first session of China Information Technology Expo and Shanghai Essen International Robot Equipment Fair (上海埃森國際機器人設備展), which significantly raised the profile of the Panda brand in the industry and fostered marketing.

3. Operational plan for the second half of 2013

In the second half of 2013, the Company will continue to follow the established operational plan and endeavour to achieve all operating targets, and will further develop its internal control system and scientific research system, expand marketing channels, improve the assessment and incentive mechanism, accelerate cultivation of talents and construction of corporate culture, proactively build a harmonious enterprise, and promote steady and sustainable development of the enterprise.

As the replacement speed of technologies relating to the electronic information industry is fast, the Company is confronted with the risk associated with development of technology. More and more capital may enter the electronic information industry in the future; as a result the Company will face much fiercer market competition.

The Company will further improve its research and development system, step up technological innovation and improve the added value of products to raise the competitiveness of its products. In addition, the Company will keep a close eye on market demand, exploit its advantages to expand presence in both domestic and overseas markets, and closely follow policy orientation to work hard on national major and key projects.

(II) Analysis of principal operations by business, product or geographical region

1. Principal operations by business or product (prepared in accordance with the PRC Accounting Standards for Business Enterprises, unaudited)

Unit: RMB

By business or product	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income from the same period last year (%)	Increase/decrease in operating costs from the same period last year (%)	Increase/decrease in gross profit margin from the same period last year (%)
Electronic equipment products	534,025,229.63	454,181,901.58	14.95	-16.09	-20.43	4.64
Electronic manufacturing products	302,411,053.18	270,518,592.96	10.55	-2.26	-1.87	-0.35
Consumer electronics products	39,018,391.94	34,414,896.87	11.80	-38.65	-42.90	6.56
Others	25,418,011.69	19,547,454.75	23.10	-14.59	-3.31	-8.97
Subtotal	900,872,686.44	778,662,846.16	13.57	-13.31	-16.00	2.77

2. Principal operations by geographical regions

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

(III) Analysis of core competitiveness

During the Reporting Period, there was no significant change in the core competitiveness of the Company as compared with the previous period.

(IV) Analysis of investment

1. Overall analysis of equity investment

During the Reporting Period, the Company did not make investment in equity or securities, or hold stakes in other listed companies or non-listed financial enterprises, or purchase or sell shares of other listed companies.

2. Entrusted wealth management and derivatives investment

- (1) Entrusted wealth management

During the Reporting Period, the Company did not have entrusted wealth management products.

At the extraordinary meeting of the seven session of the Board on 22 August 2013, the Proposal in relation to Use of Temporarily Idle Raised Proceeds for Cash Management (《關於使用暫時閒置的募集資金進行現金管理的議案》) was considered and approved. In order to maximize the efficiency of use of the funds, it was resolved to use the temporarily idle raised proceeds from the Non-public Issue of A Shares in the amount of not more than RMB550 million for cash management to invest in highly safe and liquid products with principal preservation terms, within one year from the date of passing of such proposal and on the condition of not affecting the progress of the investment plan for the proceeds from the Non-public Issue of A Shares, and to authorize the General Manager of the Company to handle relevant matters within the scope of the amount. The independent directors, the supervisors of the Company and the sponsor have given their opinion of consent thereon. For details, please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (《南京熊猫電子股份有限公司關於使用暫時閒置的募集資金進行現金管理的公告》) (Lin. 2013-031) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 August 2013 and the announcement published on the website of the Hong Kong Stock Exchange on 22 August 2013.

From the end of the Reporting Period to the date of approval of this report by the Board, i.e., from 1 July 2013 to 30 August 2013, the Company carried out entrusted wealth management of RMB550 million, with the closing balance of RMB550 million. As at the date of this report, the details of the Company's entrusted wealth management are set out in the table below:

Unit: RMB'000

Cooperating party	Name of entrusted wealth management plan	Amount of entrusted wealth management	Commencing date of entrusted wealth management	Expiring date of entrusted wealth management	Expected annual return (%)
Jiangsu Branch, Bank of Communications Co., Ltd.	Yuntongcaifu-Rizengli (滬通財富-日增利) (120 days)	30,000	2013-8-27	2013-12-25	4.8
Nanjing Hehuijie Sub-branch of China Construction Bank Corporation	175th Tranche of Qian Yuan Principal-guaranteed Wealth Management Product for 2013 by the Jiangsu Branch of China Construction Bank (中國建設銀行江蘇省分行「乾元」保本型理財產品 2013年第175期)	20,000	2013-8-29	2013-11-27	5.1
Nanjing Chengdong Sub-branch of Shanghai Pudong Development Bank Co., Ltd	Liduoduo Caifubanche No. 1 by Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司利多多財富班車1號)	5,000	N/A	N/A	4.5

Purchase of the above entrusted wealth management products with the temporarily idle raised proceeds by the Company was considered and approved by the extraordinary meeting of the seven session of the Board. Such entrusted wealth management products and the purchase thereof are not subject to any connected transaction or litigation, nor involve any failure to recover overdue principal. For details of information such as the product type and investment scope, please refer to the Announcement of Nanjing Panda Electronics Company Limited on Use of Temporarily Idle Raised Proceeds to Purchase Bank Wealth Management Products (《南京熊猫電子股份有限公司關於使用暫時閒置的募集資金購買銀行理財產品的公告》) (Lin. 2013-032) and (Lin. 2013-033) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 29 August 2013 and 30 August 2013 and the announcement published on the website of the Hong Kong Stock Exchange on 22 August 2013.

(2) The Company did not have entrusted loans, other investment products or derivatives investment.

3. Use of raised proceeds

(1) Overall use of raised proceeds

① In 2013, the Company raised proceeds in aggregate of RMB1,319,999,997.90 by way of non-public issue of A shares. After deduction of issuance expenses of RMB25,596,285.35, the net proceeds amounted to RMB1,294,403,712.55. During the Reporting Period, none of the proceeds was used. As at 30 June 2013, unused raised proceeds remained at RMB1,294,403,712.55, which will be used to finance certain investment projects ("Proceeds Investment Projects").

② In order to enhance the utilization efficiency of raised proceeds, increase revenue adequately, and reduce financial expenses, the Company agrees to use the temporarily idle raised proceeds in the amount of not more than RMB550 million for cash management. As at the date of this report, the Company had purchased bank wealth management products worth RMB550 million. For details, please refer to "I. (IV). 2. (1) Entrusted wealth management" in this section.

(2) Information on the projects to be financed with raised proceeds

According to the application document on this non-public issue of A shares, the total amount of proceeds raised by way of such non-public issue of A shares shall not exceed RMB1,320,000,000. After deduction of issuance expenses, the remaining proceeds are intended for investment in the following projects:

Unit: RMB'0'000

No.	Project name	Implementing entities for project	Total investment in project	Proposed amount of proceeds to be applied	Operating income at full capacity	Total profit at full capacity	Amount of pre-invested self-raised funds (as at 30 June 2013)	Amount of approval of the plan for the non-public issue of A shares (as at 30 June 2013)
1	Automation equipment industrialization project	Technology Development Company	61,563	61,563	145,000	17,086	13,727	12,150
2	Communication equipment industrialization project	Technology Development Company	24,544	24,544	60,150	7,960		
3	Traffic electronic equipment industrialization project	Information Industry Company	14,955	14,955	40,000	4,450	7	7
4	R&D center project	Technology Development Company	20,996	20,938			3,391	3,219
5	Supplement working capital	the Company	—	10,000				
	Total		—	132,000	245,150	29,496	17,125	15,376

In order to complete the Proceeds Investment Projects as soon as possible, the Company has used self-raised funds to finance the construction of such projects before the proceeds from this non-public issue are available. According to the authorization by the general meeting, before the proceeds from this non-public issue of A Shares are available, the Company can first invest its self-raised funds based on the actual progress of relevant projects, and replace self-raised funds with the raised proceeds when available. The Company will inject capital into the implementing entities of the Proceeds Investment Projects as soon as practicable, and, upon completion of capital injection, perform the relevant corporate governance procedures to use the raised proceeds to replace the self-raised funds invested, according to the amount of replacement specified in the special verification report issued by the accounting firm.

As the Company has first used its self-raised funds for the Proceeds Investment Projects, the progress of such projects is in advance of the plan. However, there exist a number of uncertain factors during the implementation of these projects. The Company will endeavor to ensure the implementation of these projects as planned. No profit from the Proceeds Investment Projects can be derived at present, as they are still under construction.

(3) Changes in Proceeds Investment Projects

To ensure smoother operation of the "automation equipment industrialization project" and the "communication equipment industrialization project", fully leverage existing advantages, effectively consolidate internal resources, reduce operating costs and enhance the operational efficiency of the Company, upon consideration and approval of the extraordinary meeting of the seven session of the Board, it was approved that Electronics Equipment Company and Communications Technology Company be added as the respective implementing entities of the "automation equipment industrialization project" and the "communication equipment industrialization project". Electronics Equipment Company and Communications Technology Company will take charge of equipment procurement and operation of the corresponding projects, while Technology Development Company will be in charge of plant construction and related work for the project. The additions of the implementing entities for the proceeds investment projects by the Company are still subject to consideration of the general meeting of the Company. For details, please refer to the Announcement on Additions of the Implementing Entities for the Proceeds Investment Projects of Nanjing Panda Electronics Company Limited (Lin. 2013-027) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 9 August 2013 and the announcement published on the website of the Hong Kong Stock Exchange on 8 August 2013.

(4) Others

On 24 June 2013, China Securities Co., Ltd. transferred the payment of subscription net of relevant underwriting and sponsoring fees to the special deposit account designated by the Company for the raised proceeds of the non-public issue of A shares. To standardize the use and management, and raise the utilization efficiency of raised proceeds, and protect the legal rights and interests of investors, in accordance with relevant laws, regulations, and the Administrative Rules on Listed Companies' Raised Funds of the Shanghai Stock Exchange (2013 Revision) (《上海證券交易所上市公司募集資金管理規定》(2013年修訂)), the Company and China Securities Co., Ltd. entered into the Trilateral Supervision Agreement on Special-account Deposits of Raised Proceeds (《募集資金專戶存儲三方監管協議》) with the opening banks, Jiangsu Branch of Bank of Communications, Chengdong Sub-branch of Bank of Nanjing Co., Ltd., Nanjing Hexi Sub-branch of Ping An Bank Co., Ltd., Nanjing Chengdong Sub-branch of Shanghai Pudong Development Bank Co., Ltd., and Nanjing Huhujie Sub-branch of China Construction Bank Corporation, respectively. For details, please refer to the Announcement on Entering into the Trilateral Supervision Agreement on Special-account Deposits of Raised Proceeds of Nanjing Panda Electronics Company Limited (Lin. 2013-022) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 20 July 2013 and the announcement published on the website of the Hong Kong Stock Exchange on 19 July 2013.

4. Analysis of major subsidiaries and investee companies

(1) Information of subsidiaries

As at 30 June 2013, the information of the Company's major subsidiaries is set out below:

Unit: RMB'000

Names of subsidiaries	Principal products or services	Registered capital	Total assets	Net profit
Electronic Equipment Company	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories	8,000	26,678.96	1,046.96
Information Industry Company	Development, production and sale of electronic information products	USD2,300	68,605.76	940.92
Electronic Manufacture Company	Development and production of new models of electronic products	USD2,000	33,653.37	785.13
Communications Technology Company	Development and manufacture of mobile communication, digital communication and network communication systems and products	5,000	8,104.48	82.41
Nanjing Panda Industrial Enterprise Co., Ltd.	Property management and sales of mechanical products, electronic products, construction materials and office supplies	2,000	4,362.11	64.88
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Plastic products & accessories	6,000	23,491.66	65.53
Nanjing Panda Mechanical Manufacturing Co., Ltd.	Metal components and stamping parts	1,000	9,418.22	369.66
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Research and development, manufacturing and sales of logistic supporting equipment and automatic fare collection equipment	1,000	3,893.58	2.58
Technology Development Company	Manufacturing of general purpose equipment, software development, and property management	25,000	28,319.19	-117.91
Galant Limited	R&D of communications products	HKD0.0001	7,614.79	-5.03

(2) Information of investee companies

As at 30 June 2013, the information of the Company's major investee companies is set out below:

Unit: RMB'0'000

Name of investee company	Operating revenue	Net profit	Shareholding held by Company	Investment income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	483,994.37	11,009.81	27%	2,972.65
Beijing SE Putian Mobile Communication Co., Ltd.	1,757,993.37	37,362.60	20%	7,472.52
Shenzhen Jingwah Electronics Co., Ltd.	84,640.91	1,994.43	38.03%	758.48

II. Plan for Profit Distribution or Capitalization of Capital Reserve

(i) Implementation of profit distribution plan or adjustment thereto during the Reporting Period

Pursuant to the Company's profit distribution plan for 2012 which was considered and approved at the seventh meeting of the seventh session of the Board and the 2012 annual general meeting of the Company, a cash dividend of RMB0.60 (tax inclusive) for every 10 shares was paid to all shareholders of the Company on the basis of a total share capital of 655,015,000 shares as at 31 December 2012, with the total cash dividend distributed amounting to RMB39,300,900, and the remaining portion was to be carried forward to next year. The implementation of the profit distribution plan was fully completed. For details, please refer to the relevant announcements of the Company published in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 28 March 2013, 21 May 2013 and 28 May 2013, respectively, and on the website of the Hong Kong Stock Exchange on 28 March 2013 and 20 May 2013.

(ii) Plans for profit distribution and capitalization of capital reserve for the first half year

The Company will not make any profit distribution or convert any capital reserve into share capital for the first half of 2013.

III. Other Disclosures

(i) Warnings on any potential loss in accumulated net profit for the period from the beginning of the year to the end of next reporting period or any material changes from the corresponding period of last year and the explanations thereof: N/A

(ii) Explanations of the Board and the supervisory committee of the Company on the "Non-standard opinions" given by the auditors of the Company: N/A

(iii) Other disclosures

1. 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 2013, the Company's gearing ratio (the ratio of total liabilities to total assets) was 32%; current liabilities amounted to RMB1,427 million; liquidity ratio was 2.09; quick ratio was 1.94; bank deposits and cash amounted to RMB1,761 million; and short-term bank loans amounted to RMB585 million.

During the Reporting Period, the benchmark interest rate on 1-year RMB loans from financial institutions was 6.00% from the beginning of the period to 30 June 2013.

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

During the Reporting Period, the Group did not purchase, sell or redeem any of the Company's listed shares.

3. Pre-emptive rights

There is no provision for pre-emptive rights under the relevant laws of the PRC and the Articles of Association of the Company

4. Corporate Governance Code

During the Reporting Period, the Company has complied with the provisions under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

5. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

During the Reporting Period, the Company adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with all Directors and all of them have confirmed that they had complied with the Model Code during the Reporting Period.

6. Arrangements for purchase of shares or debentures by Directors, supervisors and senior management members

At no time during the year had the Company become a party to any arrangements which enabled the Directors, supervisors and senior management members of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other corporate bodies.

7. Directors' and senior management's liability insurance

As at the date of this report, the Company had purchased liability insurance for its Directors and senior management in compliance with the Rules Governing the Listing of Securities on the Main Board issued by the Hong Kong Stock Exchange.

8. Pursuant to paragraph 40 of Appendix 16 of the Listing Rules, save as disclosed herein, the Company confirms that the current information in relation to those matters set out in paragraph 32 of Appendix 16 of the Listing Rules has not changed materially from the information disclosed in the 2012 Annual Report of the Company.

V. SIGNIFICANT EVENTS

I. Material litigation, arbitration and matters commonly questioned by the media: N/A

II. Bankruptcy and restructuring: The Company did not have bankruptcy and restructuring related matters during the Reporting Period.

III. Asset transactions and business combinations:

The Company did not have asset transactions or business combinations during the Reporting Period.

IV. Share incentives and their effects: N/A

V. Material connected transactions

(I) Connected transactions relating to day-to-day operation

1. Matters disclosed in interim announcements with progress or change in the follow-up implementation

The following matters of the Company were considered and approved at an extraordinary meeting of the seventh session of the Board and the 2012 second extraordinary general meeting of the Company, respectively: (i) the continuing connected transactions from 2013 to 2015 entered into between the Company, and CEC, PEGE and their respective associates and the annual caps thereof; and (ii) the entering into of the Financial Services Agreement between the Company and Financial Company, whereby it was agreed that the cap for the integrated credit balance to be provided by Financial Company to the Company was RMB300 million and the cap for the fund settlement balance with Financial Company was RMB200 million. For details, please refer to Announcement of Continuing Connected Transactions of Nanjing Panda Electronics Company Limited (Lin 2012-028), Announcement of the Entering into of Financial Services Agreement between Nanjing Panda Electronics Company Limited and China Electronics Financial Co., Ltd. (Lin 2012-029), Announcement of Resolutions Passed at the Second Extraordinary General Meeting of Nanjing Panda Electronics Company Limited in 2012 (Lin 2012-045) published by the Company in China Securities Journal, Shanghai Securities News and on the website of the Shanghai Stock Exchange on 27 October 2012 and 22 December 2012, respectively and the announcements published on the website of the Hong Kong Stock Exchange on 26 October 2012 and 21 December 2012 and the circular published on the website of the Hong Kong Stock Exchange on 5 December 2012. Detailed information regarding the continuing connected transactions between the Group and CEC Group and the deposits and loans of the Group with/from Financial Company was set out in the paragraph headed Connected Transactions under Note X(III) to the 2013 interim financial statements of the Company.

(II) During the Reporting Period, the Company did not have connected transactions in respect of asset acquisition or disposal

(III) During the Reporting Period, the Company had no material connected transactions in respect of joint external investment.

(IV) Transactions relating to creditor's rights and debts

Unit: RMB'000

Connected parties	Provision of funds to connected parties			Provision of funds to the Company by connected parties		
	Opening balance	Amount of transaction	Closing balance	Opening balance	Amount of transaction	Closing balance
Panda Electronics (Kunshan) Co., Ltd.	279.94		279.94			
China Electronics Corporation				3,400.00		3,400.00
Panda Electronics Group Limited				1,181.40	17.03	1,198.43
Nanjing Thales Panda Transportation System Company Limited				86.03		86.03
Nanjing Panda Electronics Import & Export Co., Ltd.				0.00	43.11	43.11
Panda Electronics (Kunshan) Co., Ltd.				30.00		30.00
Nanjing Panda Electronic Technology Development Company Limited				8.40		8.40
Panda (Beijing) International Information Technology Co., Ltd.				4.56		4.56
Nanjing Panda Electronics Transportation Company				2.23	0.95	3.18
Nanjing Electronic Calibration Co., Ltd.				0.00	0.63	0.63
Nanjing Panda Piezoelectric Technology Co., Ltd.				0.02		0.02
Nanjing Zhongdian Panda Property Management Co., Ltd. (南京中電熊貓物業管理有限公司)				49.31	-49.31	0.00
The amount of funds provided by the Company to its controlling shareholder and subsidiaries during the Reporting Period (RMB)						0
The balance of funds provided by the Company to its controlling shareholders and subsidiaries during the Reporting Period (RMB)						0

VI. Material contracts and the performance thereof

(I) **Matters relating to trusteeship, contracting and leasing: N/A**

(II) **Guarantees**

Unit: RMB0'000

Total amount of guarantees during the Reporting Period (excluding those in favour of subsidiaries)	0
Total balance of the amount of guarantees at the end of the Reporting Period (A) (excluding those in favour of subsidiaries)	0

Guarantees in favour of subsidiaries provided by the Company

Total amount of guarantees provided to subsidiaries during the Reporting Period	41,500.00
Total balance of the amount of guarantees provided to subsidiaries at the end of the Reporting Period (B)	22,307.42

Total amount of guarantees made by the Company (including those in favour of subsidiaries)

Total amount of guarantees (A+B)	22,307.42
Percentage of total guarantee amount in the audited net assets of the Company (%)	13.24
Including:	
Amount of guarantees provided to shareholders, ultimate controller and other connected parties (C)	0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70% (D)	14,127.26
Amount of total guarantees in excess of 50% of net assets value (E)	0
Total amount of the above three items (C+D+E)	14,127.26

The said guarantees totaling RMB223,074,200, representing 13.24% of the latest audited net assets of the Company, are provided to the subsidiaries of the Company. The gearing ratios of the above subsidiaries receiving guarantees are below 70% (except for Information Industry Company, with a gearing ratio of 73.69%). The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to its controlling shareholder, ultimate controller or their connected parties. For details of the guarantees provided by the Company in favour of its subsidiaries, please refer to paragraph 5 headed "Provision of guarantees" under Note X (III) to the 2013 interim financial statements.

The independent non-executive directors of the Company have expressed their independent opinions on the above guarantees as follows: all the above mentioned guarantees had been considered and approved by the Board and approved by shareholders at general meetings, and relevant procedures were in compliance with applicable rules. The Company and its subsidiaries did not provide any guarantee to any independent third parties other than the Company's subsidiaries, nor to its controlling shareholder, ultimate controller or their connected parties. We have 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.

(III) **There was no other material contract or transaction entered into by the Company in the Reporting Period.**

VII. Performance of undertakings

(I) **Undertakings of the Company, shareholder with over 5% shareholding in the Company, controlling shareholder and ultimate controller made in the Reporting Period or subsisting to the Reporting Period**

1. The Company's ultimate controller CEC undertook in the report of acquisition of the Company to guarantee the independence of the Company, not to compete with the Company in business, and to standardize and minimize connected transactions. The commitment was made on 25 May 2012 and shall remain effective as long as CEC is the ultimate controller of the Company. For details, please refer to the Announcement of Performance of Undertakings by Nanjing Panda Electronics Company Limited and Its Shareholders and Connected Parties (Lin 2012-031) published by the Company on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 1 November 2012 and the announcement published on the website of the Hong Kong Stock Exchange on 31 October 2012.

2. At the time of the non-public issue of A shares of the Company, the Company's controlling shareholder PEGL undertook not to compete with the Company in business, and to standardize and minimize connected transactions. The commitment was made on 30 November 2012 and took effect from the date of entering into. For details, please refer to the paragraphs headed "VIII. Commitments" under "Section VI Significant Events" of the 2012 Annual Report of the Company which was published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 28 March 2013 and on the website of the Hong Kong Stock Exchange on 24 April 2013.
 3. At the time of the non-public issue of A shares of the Company, the Company's associated corporation NEIC undertook not to compete with the Company in business, and to standardize and minimize connected transactions and lock up the shares held by it. The commitment was made on 30 November 2012 and took effect from the date of entering into. For details, please refer to the paragraphs headed "VIII. Commitments" under "Section VI Significant Events" of the 2012 Annual Report of the Company which was published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 28 March 2013 and on the website of the Hong Kong Stock Exchange on 24 April 2013.
- CEC, PEGL and NEIC were in strict compliance with their respective commitments during the Reporting Period.

VIII. Appointment and dismissal of accounting firms

In the Reporting Period, Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) were reappointed as the Company's international auditors and PRC auditors and internal control auditors, respectively, for the year 2013. Their remunerations would be determined within the limit of RMB1,700,000.

For details, please refer to the Announcement of Resolutions Passed at the 7th Meeting of the Seventh Board of Directors of Nanjing Panda Electronics Company Limited (Lin 2013-007) and the Announcement of Resolutions Passed at the 2012 Annual General Meeting of Nanjing Panda Electronics Company Limited (Line 2013-015) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 28 March 2013 and 21 May 2013, respectively and the announcements published on the website of the Hong Kong Stock Exchange on 27 March 2013 and 20 May 2013 respectively.

IX. Punishment and rectification of the Company and its directors, supervisors, senior management, shareholders holding more than 5% of shares, ultimate controller and acquiring party

During the Reporting Period, the Company and its directors, supervisors, senior management, shareholders holding more than 5% of shares and ultimate controller have not been punished by the competent authorities or subject to any rectification.

X. Convertible corporate bonds: N/A

XI. Corporate governance

During the Reporting Period, the Company 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 CSRC and the SFC and the requirements of the listing rules of Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company continued to improve its corporate governance structure and internal rules and systems and further proceeded with the implementation of internal control standards with reference to its actual conditions, so as to enhance internal control and management and boost the standard operation level of the Company. The corporate governance practices of the Company were in full compliance with the requirements of the Company Law and relevant rules of the CSRC.

XII. Audit committee

The audit committee and the senior management of the Company have reviewed the accounting principles and accounting standards and methods adopted by the Company, studied the matters relating to internal control and reviewed the interim results for the Reporting Period. The audit committee is of the opinion that the relevant financial report complies with the applicable accounting standards and laws and that adequate disclosure has been made.

The audit committee convened a meeting on 27 March 2013 to review the Company's 2012 financial report and the summary report on the 2012 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 (Special General Partnership) as the Company's domestic and internal control auditors for 2013 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 2013, 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.

XIII. Other significant events

(i) Others

1. Tax policies

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

2. Reference is made to the relevant announcements of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 19 January 2012 and on the website of the Hong Kong Stock Exchange on 18 January 2012, the People's Government of Baixia District, Nanjing entered into a relocation agreement with the Company in respect of the relocation of Nanjing Panda Mechanical and Electrical Equipment Factory. Pursuant to relevant valuation, the People's 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 material impact on the non-recurring profit and loss of the Company.

3. Pursuant to the "Approval for Non-public Issue of Shares by Nanjing Panda Electronics Company Limited" (Zheng Jian Xu Ke [2013] No. 332)(《關於核准南京熊猫電子股份有限公司非公開發行股票的批覆》)(證監許可[2013]332號)) given by the CSRC, the Company issued 258,823,529 RMB-denominated ordinary shares (A shares) by way of non-public issue at the issue price of RMB5.10 per share in June 2013. The proceeds raised totaled RMB1,319,999,997.90. After deduction of issuance expenses of RMB25,596,285.35, the net proceeds amounted to RMB1,294,403,712.55. As at 24 June 2013, the said subscription monies, after deducting underwriting and sponsorship fees, had been transferred by the lead underwriter to the designated account of the Company for deposit of the net proceeds. The relevant details are set out in the Verification Report on Capital of Nanjing Panda Electronics Company Limited (TZ Hu QJ [2013] No.1907) (《南京熊猫電子股份有限公司驗資報告》(天職滙QJ[2013]1907號)) issued by Baker Tilly China (Special General Partnership) on 25 June 2013. The Company completed the relevant registration and depository procedures with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 28 June 2013.

For details of the non-public issue of A shares, please refer to the Announcement on Results of the Non-Public Issue of Shares and Change in Share Capital of Nanjing Panda Electronics Company Limited published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 2 July 2013 (Lin 2013-019) and the announcement published on the website of the Hong Kong Stock Exchange on 1 July 2013.

VI. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

I. Changes in shareholdings

(I) Changes in shareholdings

1. Particulars of changes in shareholdings

Unit: shares

	Before the change		Increase/decrease from the change (+, -)					After the change	
	Amount	Percentage (%)	Newly Issued shares	Bonus shares	Transfer of capital reserve	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to trading moratorium			258,823,529				258,823,529	258,823,529	28.32
1. State-owned shares									
2. State-owned legal person shares			115,415,686				115,415,686	115,415,686	12.63
3. Other domestically owned shares			143,407,843				143,407,843	143,407,843	15.69
Including:									
Domestic non-state owned legal person shares			143,407,843				143,407,843	143,407,843	15.69
II. Shares not subject to trading moratorium	655,015,000	100					655,015,000	655,015,000	71.68
1. Renminbi ordinary shares	413,015,000	63.05					413,015,000	413,015,000	45.20
2. Overseas listed foreign shares	242,000,000	36.95					242,000,000	242,000,000	26.48
III. Total number of shares	655,015,000	100	258,823,529				258,823,529	913,838,529	100

2. Explanation of changes in shareholdings

Pursuant to the Approval for Non-public Issue of Shares by Nanjing Panda Electronics Company Limited (Zheng Jian Xu Ke [2013] No. 332) 《關於核准南京熊貓電子股份有限公司非公開發行股票的批覆》(證監許可[2013]332號) given by the CSRC, the Company issued 258,823,529 RMB denominated ordinary shares (A shares) by way of non-public issue of A shares. The Company has completed the share registration and deposit procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 28 June 2013. Upon completion of such issue, the Company's equity structure comprises 913,838,529 ordinary shares, with 671,838,529 A shares and 242,000,000 H shares.

(II) Changes in shares subject to trading moratorium

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the period	Number of shares released over the period	Increase in numbers of shares subject to trading moratorium over the period	Number of shares subject to trading moratorium as at the end of the period	Reason of trading moratorium	Date of release of trading moratorium
Beijing Infrastructure Investment Co., Ltd*(北京市基礎設施投資有限公司)			26,000,000	26,000,000	Subscription of shares	2014-6-28
Caitong Fund Company – Ping An – Ping An Trust – Ping An Fortune – Chuangying Phase I No. 38 Collective Funds Trust*(財通基金公司 – 平安 – 平安信託 – 平安財富•創贏一期38號集合資金信託計劃)			30,000,000	30,000,000	Subscription of shares	2014-6-28
Jiangsu GTIG Huading Investment Co., Ltd.*(江蘇國泰華鼎投資有限公司)			35,000,000	35,000,000	Subscription of shares	2014-6-28
South Industry Assets Management Co., Ltd*(南方工業資產管理有限責任公司)			25,200,000	25,200,000	Subscription of shares	2014-6-28
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)*(南京瑞森投資管理合夥企業(有限合夥))			51,000,000	51,000,000	Subscription of shares	2014-6-28
Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership)*(西藏山南中和投資管理中心(有限合夥))			9,803,921	9,803,921	Subscription of shares	2014-6-28
Tibet Autonomous Region Investment Co., Ltd.*(西藏自治區投資有限公司)			25,000,000	25,000,000	Subscription of shares	2014-6-28
Industrial and Commercial Bank of China –Xingquan Convertible Bond Mixed Securities Investment Fund*(中國工商銀行股份有限公司 – 興全可轉債混合型證券投資基金)			1,380,000	1,380,000	Subscription of shares	2014-6-28
Industrial Bank Co., Ltd.-Xingquan Trend Investment Mixed Securities Investment Fund*(興業銀行股份有限公司 – 興全趨勢投資混合型證券投資基金)			4,133,922	4,133,922	Subscription of shares	2014-6-28
Industrial Bank Co., Ltd.-Xingquan Global Vision Stock Type Securities Investment Funds*(興業銀行股份有限公司 – 興全全球視野股票型證券投資基金)			2,070,000	2,070,000	Subscription of shares	2014-6-28
China Construction Bank Corporation-Xingquan Social Responsibility Securities Investment Fund*(中國建設銀行股份有限公司 – 興全社會責任股票型證券投資基金)			2,070,000	2,070,000	Subscription of shares	2014-6-28

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the period	Number of shares released over the period	Increase in numbers of shares subject to trading moratorium over the period	Number of shares subject to trading moratorium as at the end of the period	Reason of trading moratorium	Date of release of trading moratorium
China Merchants Bank Co., Ltd. – Xingquan Herun Grading Stock Securities Investment Fund*(招商銀行股份有限公司 – 興全合滬分級股票型證券投資基金)			1,520,000	1,520,000	Subscription of shares	2014-6-28
Agricultural Bank of China Ltd. – Xingquan Hushen 300 Index Enhanced Securities Investment Fund (LOF)*(中國農業銀行股份有限公司 – 興全滬深300指數增強型證券投資基金(LOF))			110,000	110,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. – ICBC - Aegon-Industrial – Noah Upright Additional Issue No. 1 Specific Multi-customer Assets Management Plan*(興業全球基金公司 – 工行 – 興業全球 – 諾亞正行定增1號特定多客戶資產管理計劃)			1,490,000	1,490,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. – ICBC - Aegon-Industrial – Xingquan Additional Issue No. 9 Grading Assets Management Plan*(興業全球基金公司 – 興業 – 興全定增9號分級資產管理計劃)			1,110,000	1,110,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. – ICBC - Aegon-Industrial – Xingquan Additional Issue No. 10 Grading Assets Management Plan*(興業全球基金公司 – 興業 – 興全定增10號分級資產管理計劃)			960,000	960,000	Subscription of shares	2014-6-28
Aegon-Industrial Fund Management Co., Ltd. – ICBC - CMB – Xingquan Additional Issue No. 12 Grading Assets Management Plan*(興業全球基金公司 – 招行 – 興全定增12號分級資產管理計劃)			2,760,000	2,760,000	Subscription of shares	2014-6-28
Nanjing Electronics Information Industrial Corporation			39,215,686	39,215,686	Subscription of shares	2016-6-28
Total			<u>258,823,529</u>	<u>258,823,529</u>		

* For identification purposes only

II. Information of Shareholders

(i) Total number of shareholders

Total number of shareholders as at the end of the Reporting Period 18,135 shareholders including 18,084 A shareholders and 51 H shareholders

(ii) Details of the top ten shareholders

Unit: shares

Details of the top ten shareholders of the Company as at 30 June 2013 are set out as follows:

Name of shareholders	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage of Shareholding (%)	Number of shares held subject to trading moratorium	Number of shares pledged or frozen	Type of shareholders
Panda Electronics Group Limited		334,715,000	36.63	0	167,350,000	State-owned legal person
HKSCC (Nominees) Limited		240,821,299	26.35	0	Unknown	Overseas legal person
Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)* (南京瑞森投資管理合夥企業 (有限合夥))	51,000,000	51,000,000	5.58	51,000,000	Unknown	Domestic non- state-owned legal person
Nanjing Electronics Information Industrial Corporation	39,215,686	39,215,686	4.29	39,215,686	Unknown	State-owned legal person
Jiangsu GTIG Huading Investment Co., Ltd.* (江蘇國泰華鼎投資 有限公司)	35,000,000	35,000,000	3.83	35,000,000	Unknown	Domestic non- state-owned legal person
Caitong Fund Company – Ping An – Ping An Trust – Ping An Fortune – Chuangying Phase I No.38 Collective Funds Trust (財通基金公司 – 平安 – 平安信託 – 平安財富•創贏 一期38號集合資金信託計劃)	30,000,000	30,000,000	3.28	30,000,000	Unknown	Other
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施 投資有限公司)	26,000,000	26,000,000	2.85	26,000,000	Unknown	State-owned legal person
South Industry Assets Management Co., Ltd.* (南方工業資產管理有限責 任公司)	25,200,000	25,200,000	2.76	25,200,000	Unknown	State-owned legal person
Tibet Autonomous Region Investment Co., Ltd.* (西藏自治區投資有限公司)	25,000,000	25,000,000	2.74	25,000,000	Unknown	State-owned legal person
Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership)* (西藏山 南中和投資管理中心 (有限合夥))	9,803,921	9,803,921	1.07	9,803,921	Unknown	Domestic non- state-owned legal person

* For identification purposes only

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
Panda Electronics Group Limited	334,715,000	A
HKSCC (Nominees) Limited	240,821,299	H
China Investment Securities Co., Ltd. – Client Account of Collateral Securities for Margin Trading*(中國中投證券有限公司客戶信用交易擔保證券賬戶)	2,341,274	A
Yunnan International Trust Co., Ltd.	1,630,053	A
Essence Securities Co., Ltd. – client credit trading guarantee securities account*(安信證券股份有限公司客戶信用交易擔保證券賬戶)	1,586,295	A
Wu Xiujing(吳秀菁)	1,363,070	A
Peng Hongwan	1,161,026	A
Yang Chunyan	649,923	A
Zheng Xinhua	640,000	A
Xiamen International Trust Co., Ltd.*(廈門國際信託有限公司)	418,200	A

* For identification purposes only

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.
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Notes:

- 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.
- HKSCC (Nominees) Limited held 240,821,299 H Shares of the Company, representing 26.35% 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.

Shareholdings of the top ten shareholders subject to trading moratorium and the condition of trading moratorium

Unit: shares

No.	Name of shareholders subject to trading moratorium	Particulars of shares subject to trading moratorium to be listed			Conditions of trading moratorium
		Number of shares held subject to trading moratorium	Time for listing and trading	Number of additional shares to be listed and traded	
1	Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)*(南京瑞森投资管理合夥企業(有限合夥))	51,000,000	2014-6-28	51,000,000	It may not be transferred within 12 months from the completion date of the issue.
2	Nanjing Electronics Information Industrial Corporation	39,215,686	2016-6-28	39,215,686	It may not be transferred within 36 months from the completion date of the issue.
3	Jiangsu GTIG Huading Investment Co., Ltd.*(江蘇國泰華鼎投資有限公司)	35,000,000	2014-6-28	35,000,000	It may not be transferred within 12 months from the completion date of the issue.
4	Caitong Fund Company – Ping An – Ping An Trust – Ping An Fortune – Chuangying Phase I No.38 Collective Funds Trust*(財通基金公司—平安—平安信託—平安財富•創贏一期38號集合資金信託計劃)	30,000,000	2014-6-28	30,000,000	It may not be transferred within 12 months from the completion date of the issue.

No.	Name of shareholders subject to trading moratorium	Particulars of shares subject to trading moratorium to be listed			Conditions of trading moratorium
		Number of shares held subject to trading moratorium	Time for listing and trading	Number of additional shares to be listed and traded	
5	Beijing Infrastructure Investment Co., Ltd* (北京市基礎設施投資有限公司)	26,000,000	2014-6-28	26,000,000	It may not be transferred within 12 months from the completion date of the issue.
6	South Industry Assets Management Co., Ltd* (南方工業資產管理有限責任公司)	25,200,000	2014-6-28	25,200,000	It may not be transferred within 12 months from the completion date of the issue.
7	Tibet Autonomous Region Investment Co., Ltd.*(西藏自治區投資有限公司)	25,000,000	2014-6-28	25,000,000	It may not be transferred within 12 months from the completion date of the issue.
8	Tibet Shan Nan Zhong He Investment Management Centre (Limited Partnership)* (西藏山南中和投資管理中心(有限合夥))	9,803,921	2014-6-28	9,803,921	It may not be transferred within 12 months from the completion date of the issue.
9	Industrial Bank Co., Ltd.-Xingquan Trend Investment Mixed Securities Investment Fund* (興業銀行股份有限公司—興全趨勢投資混合型證券投資基金)	4,133,922	2014-6-28	4,133,922	It may not be transferred within 12 months from the completion date of the issue.
10	Aegon-Industrial Fund Management Co., Ltd. – ICBC - CMB – Xingquan Additional Issue No. 12 Grading Assets Management Plan* (興業全球基金公司—招行—興全定增12號分級資產管理計劃)	2,760,000	2014-6-28	2,760,000	It may not be transferred within 12 months from the completion date of the issue.

Description of the connected relationship or party acting in concert among the aforesaid shareholders:

1. NEIC holds 56.85% equity interest in PEGL, the controlling shareholder of the Company, and directly holds 39,215,686 shares of the Company, representing 4.29% of the total number of shares. NEIC directly and indirectly holds 40.92% of the shares of the Company.
2. The shareholder of Industrial Bank Co., Ltd.-Xingquan Trend Investment Mixed Securities Investment Fund(興業銀行股份有限公司—興全趨勢投資混合型證券投資基金) and Aegon-Industrial Fund Management Co., Ltd. – ICBC – CMB – Xingquan Additional Issue No. 12 Grading Assets Management Plan(興業全球基金公司—招行—興全定增12號分級資產管理計劃) is Aegon-Industrial Fund Management Co., Ltd.

Save as disclosed above, the Company is not aware of any connected relationship or party acting in concert among other shareholders.

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 CEC respectively.

IV. Substantial shareholders' interests and short positions in the shares or underlying shares of the Company

As at 30 June 2013, 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) which were required to be filed with the register as pursuant to section 336 of the Securities and Futures Ordinance ("SFO") of the Hong Kong Stock Exchange were as follows: (1) PEGL held 334,715,000 domestic shares, accounting for approximately 49.82% of domestic shares in issue and approximately 36.63% 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 H Shares in issue and approximately 2.22% 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 H Shares in issue and approximately 1.85% 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 2013.

VII. PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Change in Shareholdings

(i) Current and the resigned Directors, supervisors and senior management staff during the Reporting Period

There was no change in the shareholding of the Company held by Directors, Supervisors and senior management members during the Reporting Period, details of which are as follows:

Name	Position	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period	Change in the number of shares held in the Reporting Period	Reason for the change
Lai Weide	Executive Director, Chairman	0	0	—	
Xu Guofei	Executive Director, Vice Chairman	2,546	2,546	—	
Deng Weiming	Non-executive Director	0	0	—	
Lu Qing	Non-executive Director	0	0	—	
Hsuan Jason	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 employee	0	0	—	
Zhou Yuxin	Supervisor representing employee	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, Company Secretary	0	0	—	
Guo Qing	Deputy General Manager	0	0	—	
Zhu Lifeng	Former Non-executive Director	4,378	4,378	—	
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.

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) Company share incentive granted to Directors, Supervisors and senior management members during the Reporting Period: N/A.

II. Change in the Directors, Supervisors and Senior Management members

During the Reporting Period, Mr. Zhu Lifeng, former non-executive director, has resigned as a Non-executive Director of the Company to pursue other work opportunities. At the extraordinary meeting convened by the seventh session of the Board of the Company, the nomination of Mr. Xia Dechuan as a candidate for Non-executive Director of the seventh session of the Board of the Company, for a term of office until the expiration of the seventh session of the Board of the Company, and submission of the same to the general meeting of the Company were considered and approved. 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 14 May 2013 and on the websites of Hong Kong Stock Exchange and the Company on 13 May 2013.

III. Others

1. At the extraordinary meeting of the seventh session of the Board of the Company on 24 July 2013, Mr. Guo Qing was appointed as a Deputy General Manager of the Company for a term of office until the expiration of the seventh session of the Board of the Company. 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 25 July 2013 and on the websites of Hong Kong Stock Exchange and the Company on 24 July 2013.
2. During the Reporting Period, Ms. Zhang Zhengping has resigned as the chairman of the seventh session of the Supervisory Committee due to her retirement, and will not serve as the chairman and member of the Supervisory Committee after her resignation. At the meeting of the seventh session of the Supervisory Committee of the Company convened by the Supervisory Committee, the nomination of Mr. Zhang Yinqian as a candidate for non-employee representative Supervisor of the seventh session of the Supervisory Committee of the Company, for a term of office until the expiration of the seventh session of the Supervisory Committee of the Company, and submission of the same to the general meeting of the Company were considered and approved. 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 9 August 2013 and on the websites of Hong Kong Stock Exchange and the Company on 8 August 2013.

VIII. INTERIM FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS) (UNAUDITED)

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2013

(Expressed in Renminbi)

		Six months ended 30 June	
		2013	2012
	Note	(unaudited)	(unaudited)
		RMB'000	RMB'000
Turnover	4	919,163	1,041,745
Cost of sales		(794,327)	(941,484)
		<hr/>	<hr/>
Gross profit		124,836	100,261
Other income and net losses	5	14,197	12,645
Distribution costs		(20,273)	(15,551)
Administrative expenses		(137,525)	(127,898)
		<hr/>	<hr/>
Operating loss		(18,765)	(30,543)
Finance costs, net		(13,246)	(11,519)
Share of profits of associates		112,037	101,386
		<hr/>	<hr/>
Profit before taxation	6	80,026	59,324
Income tax credit/(expense)	7	4,586	(4,557)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		84,612	54,767
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		83,757	52,170
Non-controlling interests		855	2,597
		<hr/>	<hr/>
		84,612	54,767
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
(RMB cents)			
— Basic and diluted	8	12.65	7.96
		<hr/> <hr/>	<hr/> <hr/>

Condensed consolidated balance sheet

As at 30 June 2013

(Expressed in Renminbi)

	Note	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
ASSETS			
Non-current assets			
Land use rights		82,889	83,835
Property, plant and equipment	10	701,892	663,889
Associates		687,524	588,617
Available-for-sale equity securities		3,650	3,650
Deferred tax assets		6,117	6,127
		<u>1,482,072</u>	<u>1,346,118</u>
Current assets			
Inventories		210,422	180,260
Trade and bills receivables		692,362	782,623
Amounts due from customers for contract work	11	144,566	86,975
Deposits, prepayments and other receivables		168,178	129,481
Restricted bank deposits	12	89,200	212,759
Cash and cash equivalents		1,672,292	378,040
		<u>2,977,020</u>	<u>1,770,138</u>
Total assets		<u>4,459,092</u>	<u>3,116,256</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	13	913,839	655,015
Share premium and reserves		2,109,777	1,029,741
		<u>3,023,616</u>	<u>1,684,756</u>
Non-controlling interests		<u>8,391</u>	<u>7,536</u>
Total equity		<u>3,032,007</u>	<u>1,692,292</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		273	312
Current liabilities			
Bank and other borrowings	14	635,351	648,335
Trade payables	15	506,381	473,874
Accruals and other payables		284,933	293,347
Tax payable		147	8,096
		<u>1,426,812</u>	<u>1,423,652</u>
Total liabilities		<u>1,427,085</u>	<u>1,423,964</u>
Total equity and liabilities		<u>4,459,092</u>	<u>3,116,256</u>
Net current assets		<u>1,550,208</u>	<u>346,486</u>
Total assets less current liabilities		<u>3,032,280</u>	<u>1,692,604</u>

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2013

(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 2013 (audited)	655,015	389,338	(8,559)	222,451	35,688	390,823	1,684,756	7,536	1,692,292
Issue of new A shares (note 13)	258,824	1,035,580	—	—	—	—	1,294,404	—	1,294,404
Profit and total comprehensive income for the period	—	—	—	—	—	83,757	83,757	855	84,612
Dividend approved in respect of 2012 (note 9)	—	—	—	—	—	(39,301)	(39,301)	—	(39,301)
As at 30 June 2013 (unaudited)	913,839	1,424,918	(8,559)	222,451	35,688	435,279	3,023,616	8,391	3,032,007
As at 1 January 2012 (audited)	655,015	389,338	(7,472)	209,930	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)	655,015	389,338	(7,472)	209,930	35,688	323,960	1,606,459	8,659	1,615,118

Condensed consolidated cash flow statement

For the six months ended 30 June 2013

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Net cash generated from/(used in) operating activities	574	(113,324)
Investing activities		
Purchases of property, plant and equipment	(99,832)	(33,810)
Proceeds from disposals of property, plant and equipment	735	138
Decrease in net amounts due with fellow subsidiaries and associates	16,755	926
Interest received	3,512	3,240
Dividends received from associates	10,000	3,281
Net cash used in investing activities	(68,830)	(26,225)
Financing activities		
Proceeds from issue of new A shares	1,294,404	—
Proceeds from borrowings	624,351	402,000
Repayments of borrowings	(637,335)	(274,834)
Repayments to immediate holding company	(1,702)	(6,163)
Decrease in restricted bank deposits	123,559	22,550
Dividends paid to non-controlling shareholders of a subsidiary	(1,365)	(2,340)
Dividends paid to equity holders of the Company	(39,301)	(16,015)
Net cash generated from financing activities	1,362,611	125,198
Net increase/(decrease) in cash and cash equivalents	1,294,355	(14,351)
Cash and cash equivalents at the beginning of the period	378,040	343,783
Effect of foreign exchange rate changes	(103)	79
Cash and cash equivalents at the end of the period	1,672,292	329,511

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

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

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

2. Basis of preparation

The 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 2012, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ending 31 December 2013. Details of these changes in accounting policies are set out in note 3.

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 2012 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 a number of new HKFRSs and amendments of HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income
- Annual improvements to HKFRSs, 2009-2011 cycle
- Amendments to HKFRS 7, Financial instruments: Disclosure — Offsetting financial assets and financial liabilities
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures

3. Application of new and revised HKFRSs (continued)

The adoption of these revisions, amendments and new HKFRSs has had no significant effect on the Group's financial statements.

Up to the date of issue of this interim financial information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ending 31 December 2013 and which have not been adopted in the interim financial information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
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 and new standards is expected to be in the period of initial application, but is not yet in a position to state whether these amendments and new standards would have a significant impact on the Group's results of operations and financial position.

4. Revenue and segmental information

The Group determines its operating segments based on the internal financial information reviewed by the board of directors of the Company that are used to make strategic decisions. Subsequent to the previous interim period to 30 June 2012, the Group has changed the composition of its reportable segments to the following three reportable segments:

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

Following the change in the composition of the reportable segments, the corresponding segmental information for the six months ended 30 June 2012 has been restated to conform with the current period's presentation.

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

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

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

4. Revenue and segmental information (continued)

The following tables provide an analysis of the Group's revenue, results and certain assets and liabilities by reportable segments for the six months ended 30 June 2013:

Six months ended 30 June 2013

	Electronic equipment products (unaudited) RMB'000	Consumer electronic products (unaudited) RMB'000	Electronic manufacturing products (unaudited) RMB'000	Other operations (unaudited) RMB'000	Elimination (unaudited) RMB'000	Consolidated (unaudited) RMB'000
Revenue						
External sales	540,046	38,694	309,414	31,009	—	919,163
Internal sales	45,328	944	798	13,671	(60,741)	—
Total	<u>585,374</u>	<u>39,638</u>	<u>310,212</u>	<u>44,680</u>	<u>(60,741)</u>	<u>919,163</u>
Results						
Segment results	<u>35,837</u>	<u>(9,229)</u>	<u>4,311</u>	<u>(1,569)</u>	<u>—</u>	<u>29,350</u>
Unallocated						
corporate expenses						(48,115)
Interest income						3,512
Interest expense						(16,758)
Share of profits of associates						112,037
Income tax credit						4,586
Profit for the period						<u>84,612</u>

At 30 June 2013

	Electronic equipment products (unaudited) RMB'000	Consumer electronic products (unaudited) RMB'000	Electronic manufacturing products (unaudited) RMB'000	Other operations (unaudited) RMB'000	Elimination (unaudited) RMB'000	Consolidated (unaudited) RMB'000
Assets						
Segment assets	1,262,373	464,678	571,450	154,895	(502,685)	1,950,711
Associates						687,524
Available-for-sale equity securities						3,650
Unallocated corporate assets						1,817,207
Consolidated total assets						<u>4,459,092</u>
Liabilities						
Segment liabilities	672,684	299,098	223,190	106,563	(401,640)	899,895
Unallocated corporate liabilities						527,190
Consolidated total liabilities						<u>1,427,085</u>

4. Revenue and segmental information (continued)

Six months ended 30 June 2012

	Electronic equipment products (unaudited) RMB'000	Consumer electronic products (unaudited) RMB'000	Electronic manufacturing products (unaudited) RMB'000	Other operations (unaudited) RMB'000	Elimination (unaudited) RMB'000	Consolidated (unaudited) RMB'000
Revenue						
External sales	639,385	63,859	311,785	26,716	—	1,041,745
Internal sales	22,515	20	1,635	14,667	(38,837)	—
	<u>661,900</u>	<u>63,879</u>	<u>313,420</u>	<u>41,383</u>	<u>(38,837)</u>	<u>1,041,745</u>
Total						
Results						
Segment results	<u>27,691</u>	<u>(5,441)</u>	<u>10,516</u>	<u>(894)</u>	<u>—</u>	<u>31,872</u>
Unallocated corporate expenses						(62,415)
Interest income						3,240
Interest expense						(14,759)
Share of profits of associates						101,386
Income tax expense						<u>(4,557)</u>
Profit for the period						<u>54,767</u>

At 31 December 2012

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

5. Other income and net losses

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Other income		
Rental and property management fee income	2,792	6,282
Government grants	12,216	6,737
Sundry income	490	502
	<u>15,498</u>	<u>13,521</u>
Other net losses		
Exchange gains/(losses)	15	(802)
Loss on disposals of property, plant and equipment	(1,316)	(74)
	<u>(1,301)</u>	<u>(876)</u>
	<u>14,197</u>	<u>12,645</u>

6. Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	29,407	27,106
Amortisation of land use rights	946	341
Write-down of inventories	3,126	4,034
Impairment losses recognised/(reversed) on		
– Trade receivables	(657)	(405)
– Other receivables	(254)	(547)
– Amounts due from fellow subsidiaries and associates	–	117
	<u>–</u>	<u>117</u>

7. Income tax (credit)/expense

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
– PRC enterprise income tax	1,322	1,981
– (Over)/under-provision in prior years	(5,879)	5,077
	<u>(4,557)</u>	<u>7,058</u>
Deferred tax		
– attributable to the origination and reversal of temporary differences	(29)	(2,501)
	<u>(29)</u>	<u>(2,501)</u>
	<u>(4,586)</u>	<u>4,557</u>

PRC enterprise income tax is charged at the statutory rate of 25% (six months ended 30 June 2012: 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 15% (six months ended 30 June 2012: 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 2013 of RMB83,757,000 (six months ended 30 June 2012: RMB52,170,000) and the weighted average of 662,205,000 (six months ended 30 June 2012: 655,015,000) shares in issue throughout the period.

The diluted earnings per share for the six months ended 30 June 2013 and 2012 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 2013 and 2012.

9. Dividends

Final dividend of RMB60 cents per ten shares (31 December 2011: RMB50 cents per ten shares) in respect of the year ended 31 December 2012 was approved on 20 May 2013.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: RMBnil).

10. Movements in property, plant and equipment

During the period, the Group's additions of property, plant and equipment amounted to RMB71,860,000 (six months ended 30 June 2012: RMB33,810,000).

In addition, the Group disposed of certain property, plant and equipment with carrying value of RMB4,450,000 (six months ended 30 June 2012: RMB212,000) for proceeds of RMB3,134,000 (six months ended 30 June 2012: RMB138,000).

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 bills receivables, net of provision for impairment:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Within 1 year	541,798	683,845
1 to 2 years	133,195	98,429
2 to 3 years	17,349	277
Over 3 years	20	72
	692,362	782,623

12. Restricted bank deposits

The restricted bank deposits are pledged as security for:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Bills payables	21,413	141,267
Performance bonds given by banks to customers in respect of projects undertaken	67,787	71,492
	89,200	212,759

13. Share capital

	30 June 2013 (unaudited)		31 December 2012 (audited)	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
— A Shares of RMB1.00 each	671,839	671,839	413,015	413,015
— H Shares of RMB1.00 each	242,000	242,000	242,000	242,000
	913,839	913,839	655,015	655,015

On 25 June 2013, the Company issued a total 258,823,529 new A shares of RMB1.00 each under a placing arrangement to 9 specific qualified investors, including Nanjing Electronic Information Industrial Corporation ("NEIIC"), at a price of RMB5.10 per share. As part of the placing arrangement, NEIIC, an intermediate holding company of the Company, has subscribed for 39,215,686 new A shares of the Company. Immediately after completion of this share placing, CEC's interest in the Company's total issued share capital, through NEIIC and PEGL, was reduced from approximately 51.10% to approximately 40.92%.

The placing proceeds, net of the related expenses, of approximately RMB1,294,404,000 are expected to be used in developing the Group's businesses and to supplement the Group's working capital. Further details of this share placing are set out in the Company's circular to the shareholders dated 7 December 2012 and in the Company's announcement dated 1 July 2013.

14. Bank and other borrowings

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Short term bank loans	440,000	360,000
Other short term loans	145,000	—
Bills payables, secured	50,351	288,335
	635,351	648,335

At 30 June 2013, short term bank loans amounting to RMB110,000,000 (31 December 2012: RMB50,000,000) were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB11,397,000 (31 December 2012: RMB1,107,000) and RMB189,373,000 (31 December 2012: RMB108,318,000) respectively with banks, and short term bank loans amounting to RMB195,000,000 (31 December 2012: RMB205,000,000) and RMB20,000,000 (31 December 2012: RMBnil) were secured by corporate guarantees from the immediate holding company (PEGL) and an intermediate holding company, respectively.

At 30 June 2013, bills payables were secured by restricted bank deposits (see note 12). In addition, bills payables amounting to RMB12,338,000 (31 December 2012: RMBnil) were secured by pledge of certain land use rights and buildings of the Company with carrying values of RMB11,397,000 and RMB189,373,000 respectively with banks, and bills payables were also secured by corporate guarantees from the immediate holding company (PEGL) and an intermediate holding company to the extent of RMBnil (31 December 2012: RMB60,595,000) and RMB5,355,000 (31 December 2012: RMB34,520,000), respectively.

15. Trade payables

The following is an ageing analysis of trade payables:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Within 1 year	380,181	369,204
1 to 2 years	85,719	44,630
2 to 3 years	1,738	24,039
Over 3 years	38,743	36,001
	506,381	473,874

16. Contingent liabilities

The Group had the following contingent liabilities:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	67,787	71,492

17. Capital commitments

At 30 June 2013, outstanding capital commitments not provided for in the financial statements are as follows:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Contracted for — Property, plant and equipment	90,352	146,376

18. Related party transactions

In addition to the issue of 39,215,686 new A shares of the Company to NEIC as mentioned in note 13, the Group entered into the following material transactions with its related parties during the period:

	Immediate holding Company (PEGL)		Fellow subsidiaries		Associates	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2013	2012	2013	2012	2013	2012
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Sales of components and parts	—	—	134,802	58,062	—	4,960
Purchases of components and parts	—	—	11,153	18,786	—	—
Fees paid for welfare, support and sub-contracting services	377	562	3,522	1,203	—	—
Income for welfare, support and sub-contracting services	3,153	688	4,146	12,134	13,430	17,766
Rental income	—	—	507	4,298	—	—
Rental expenses	84	—	—	—	—	—
Interest income	—	—	84	—	—	—
Interest expenses	—	—	2,014	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Ultimate holding company		Immediate holding Company (PEGL)		Fellow subsidiaries		Associates	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2013	2012	2013	2012	2013	2012	2013	2012
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables	—	—	1,123	1,439	118,582	142,475	10,038	5,058
Deposits, prepayments and other receivables	—	—	—	—	76	19	—	—
Trade payables	—	—	(1,809)	(3,997)	(11,699)	(22,348)	(80)	(80)
Accruals and other payables	(34,000)	(34,000)	(11,984)	(11,814)	(14,400)	(4,182)	(1,550)	(3,220)
Net balance	<u>(34,000)</u>	<u>(34,000)</u>	<u>(12,670)</u>	<u>(14,372)</u>	<u>92,559</u>	<u>115,964</u>	<u>8,408</u>	<u>1,758</u>

At 30 June 2013, the Group placed deposits of RMB45,900,000 (31 December 2012: RMB173,901,000) with and borrowed short term loans of RMB145,000,000 (31 December 2012: RMBnil) from a fellow subsidiary of the Company, being a financial institution in the PRC.

19. Comparative figures

Prior to 21 September 2012, PEG was the immediate and ultimate holding company of the Company. As stated in note 1, PEG has become an indirect subsidiary of CEC since 21 September 2012 upon the completion of the corporate restructuring. The transactions with PEG for the six months ended 30 June 2013 are disclosed in this interim financial information as transactions with immediate holding company. The corresponding figures for the six months ended 30 June 2012, previously disclosed as transactions with ultimate holding company, were reclassified to conform with the current period's presentation.

As stated in note 4, the Group changed the composition of its reportable segments in 2012 and, accordingly, the corresponding segmental information for the six months ended 30 June 2012 has been restated to conform with the current period's presentation.

20. Difference between HKFRSs and PRC Accounting Standards for Business Enterprises

For the six months ended 30 June 2013 and 2012, 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.

IX. INTERIM FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES) (UNAUDITED)

Consolidated balance sheet

30 June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	1,761,492,111.69	590,799,740.05
Settlement provisions	—	—
Placement with banks and other financial institutions	—	—
Trading financial assets	—	—
Bills receivable	52,872,101.57	37,673,756.21
Trade receivable	639,489,998.17	744,949,177.06
Prepayments	124,235,144.92	80,466,610.80
Premiums receivable	—	—
Reinsurance receivable	—	—
Reinsurance contract reserve	—	—
Interest receivable	—	—
Dividends receivable	3,129,203.60	—
Other receivables	40,813,698.80	49,014,039.75
Financial assets purchased for resale	—	—
Inventories	354,987,258.70	267,235,161.51
Non-current assets due within one year	—	—
Other current assets	—	—
Total current assets	2,977,019,517.45	1,770,138,485.38
Non-current assets:		
Entrusted loans and advances	—	—
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	691,174,039.09	592,266,738.55
Investment properties	—	—
Fixed assets	577,689,320.28	602,791,624.83
Construction in progress	122,119,847.84	58,622,146.44
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Fuel assets	—	—
Intangible assets	84,972,123.27	86,309,861.12
Development expenses	—	—
Goodwill	—	—
Long term deferred expenses	—	—
Deferred income tax assets	6,117,059.72	6,127,251.58
Other non-current assets	—	—
Total non-current assets	1,482,072,390.20	1,346,117,622.52
Total assets	4,459,091,907.65	3,116,256,107.90

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Liabilities and Shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	585,000,000.00	360,000,000.00
Borrowing from People's Bank of China ("PBOC")	—	—
Customer and interbank deposits	—	—
Borrowing from interbank market	—	—
Trading financial liabilities	—	—
Bills payable	50,350,701.77	288,335,481.41
Accounts payable	506,381,341.17	473,873,788.33
Advances from customers	115,147,690.77	110,450,931.40
Financial assets sold under repurchase agreements	—	—
Bank charges and Commissions due	—	—
Salaries payable	28,970,507.27	38,072,801.82
Taxes payable	7,514,338.68	28,925,190.14
Interest payable	735,203.89	521,752.78
Dividend payable	—	1,364,696.99
Other payables	132,712,563.25	122,107,902.54
Payables on reinsurance	—	—
Insurance contract reserves	—	—
Customer deposits for trading in securities	—	—
Customer deposits for securities underwriting	—	—
Non-current liabilities due within one year	—	—
Other current liabilities	—	—
Total current liabilities	1,426,812,346.80	1,423,652,545.41
Non-current liabilities:		
Long term loans	—	—
Bonds payables	—	—
Long term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	272,460.77	311,720.39
Other non-current liabilities	—	—
Total non-current liabilities	272,460.77	311,720.39
Total liabilities	1,427,084,807.57	1,423,964,265.80
Shareholders' equity:		
Share capital	913,838,529.00	655,015,000.00
Capital reserve	1,501,966,314.34	466,386,130.79
Less: treasury stock	—	—
Special reserve	—	—
Surplus reserve	220,739,998.89	220,739,998.89
General risk reserve	—	—
Undistributed profits	387,070,890.07	342,614,884.56
Discounted spread in foreign currency statement	—	—
Sub-total of equity attributable to shareholders of the parent company	3,023,615,732.30	1,684,756,014.24
Minority interests	8,391,367.78	7,535,827.86
Total shareholders' equity	3,032,007,100.08	1,692,291,842.10
Total liabilities and shareholders' equity	4,459,091,907.65	3,116,256,107.90

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated profit and loss statement

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
1. Total operating income	929,748,025.66	1,056,091,091.83
Including: Operating income	929,748,025.66	1,056,091,091.83
Interest income	—	—
Premiums earned	—	—
Income from Bank charges and Commissions	—	—
2. Total operating cost	972,939,312.07	1,105,060,749.25
Including: Operating cost	791,201,704.24	937,450,140.68
Interest expenses	—	—
Bank charges and Commissions	—	—
Insurance withdrawal payment	—	—
Net payment from indemnity	—	—
Net provisions for insurance contract	—	—
Insurance policy dividend paid	—	—
Reinsurance cost	—	—
Business taxes and surcharge	7,793,068.01	8,064,665.71
Selling expenses	20,273,191.38	15,551,193.53
Administrative expenses	138,000,485.42	127,984,889.76
Financial expenses	13,456,430.82	12,811,236.92
Loss in assets impairment	2,214,432.20	3,198,622.65
Add:		
Income from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	112,036,504.14	101,385,914.10
Including: Investment income of associates and joint ventures	112,036,504.14	101,385,914.10
Exchange gain (losses are represented by “-”)	—	—
3. Operating profit (losses are represented by “-”)	68,845,217.73	52,416,256.68
Add: Non-operating income	13,034,612.91	7,244,192.61
Less: Non-operating expenses	1,853,860.48	336,549.46
Including: Loss from the disposal of non-current assets	—	—
4. Total Profit (losses are represented by “-”)	80,025,970.16	59,323,899.83
Less: Income tax	-4,586,475.27	4,556,501.68
5. Net Profit (losses are represented by “-”)	84,612,445.43	54,767,398.15
Profit attributable to the owners of the Parent company	83,756,905.51	52,170,438.39
Minority interests	855,539.92	2,596,959.76
6. Earnings per share:		
(1) Basic earnings per share	0.1265	0.0796
(2) Diluted earnings per share	0.1265	0.0796
7. Other comprehensive income:	—	—
8. Total comprehensive income:	84,612,445.43	54,767,398.15
Total comprehensive income attributable to the owners of the Parent company	83,756,905.51	52,170,438.39
Total comprehensive income attributable to minority shareholders	855,539.92	2,596,959.76

Legal representative of
the Company:
Xia Diechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated statement of change of shareholders' equity

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period										
	Equity attributable to shareholders of the Parent company										
	Share capital	Capital Reserve	Less: treasury stock		Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits	Other	Minority interests	Total shareholders' equity
1. Balance at the end of last year	655,015,000.00	466,386,130.79				220,739,998.89		342,614,684.56		7,535,827.86	1,692,291,842.10
Add: change in accounting policies											
Correction of Previous Errors											
2. Balance at the beginning of this year	655,015,000.00	466,386,130.79				220,739,998.89		342,614,684.56		7,535,827.86	1,692,291,842.10
3. Change of this year (a decrease is represented by "-")	258,823,529.00	1,035,580,183.55						44,456,005.51		855,539.92	1,338,715,257.98
(1) Net profit								83,756,905.51		855,539.92	84,612,445.43
(2) Other comprehensive income											
Subtotal of item (1) and (2) above								83,756,905.51		855,539.92	84,612,445.43
(3) Contribution and reduction of capital by shareholders	258,823,529.00	1,035,580,183.55									1,294,403,712.55
1. Capital contribution by shareholders	258,823,529.00	1,035,580,183.55									1,294,403,712.55
2. Amount settled by shares accounted for in shareholders' equity											
3. Others											
(4) Profit distribution								-39,300,900.00			-39,300,900.00
1. Transfer from surplus reserves											
2. Transfer from generic risk reserves											
3. Distribution to shareholders								-39,300,900.00			-39,300,900.00
4. Others											
(5) 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											
(6) Transfer and use of special reserve											
1. Transfer in current period											
2. Use in current period											
(7) Others											
4. Balance at the end of the year	913,838,529.00	1,501,966,314.34				220,739,998.89		387,070,690.07		8,391,367.78	3,032,007,100.96

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Items	Amount for the same period last year								Total	
	Equity attributable to shareholders of the Parent company								Minority interests	shareholders' equity
	Share capital	Capital Reserve	Less: treasury stock			Generic risk reserve	Undistributed Profits	Other		
1. Balance at the end of last year	655,015,000.00	467,473,413.43			208,218,564.46		256,332,969.10		8,401,641.80	1,595,441,588.79
Add: change in accounting policies										
Merger under Same Control										
2. Balance at the beginning of this year	655,015,000.00	467,473,413.43			208,218,564.46		256,332,969.10		8,401,641.80	1,595,441,588.79
3. Change of this year (a decrease is represented by "-")							19,419,688.39		257,709.22	19,677,397.61
(1) Net profit							52,170,438.39		2,596,959.76	54,767,398.15
(2) Other comprehensive income										
Subtotal of item (1) and (2) above							52,170,438.39		2,596,959.76	54,767,398.15
(3) Contribution and reduction of capital by shareholders										
1. Capital contribution by shareholders										
2. Amount settled by shares accounted for in shareholders' equity										
3. Others										
(4) Profit distribution							-32,750,750.00		-2,339,250.54	-35,090,000.54
1. Transfer from surplus reserves										
2. Transfer from generic risk reserves										
3. Distribution to shareholders							-32,750,750.00		-2,339,250.54	-35,090,000.54
4. Others										
(5) 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										
(6) Transfer and use of special reserve										
1. Transfer in current period										
2. Use in current period										
(7) Others										
4. Balance at the end of the year	655,015,000.00	467,473,413.43			208,218,564.46		275,752,667.49		8,659,351.02	1,615,118,988.40

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated cash flow statement

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
1. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	1,069,211,488.54	1,043,697,611.62
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 financial assets		
Cash received from interest, bank charges and commissions		
Net increase in cash borrowed		
Net increase in cash received from repurchase operation		
Refunds of taxes	7,682,534.90	22,040,644.13
Cash received from relating to other operating activities	147,947,943.25	35,691,980.32
	<hr/>	<hr/>
Sub-total of cash inflows from operating activities	1,224,841,966.69	1,101,430,236.07
	<hr/>	<hr/>
Cash paid on purchase of goods and services received	988,821,777.47	916,080,963.28
Net increase in loans and advances		
Net increase in deposits in 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	173,536,735.80	148,764,205.73
Cash paid for all types of taxes	58,014,010.93	51,394,853.76
Cash paid relating to other operating activities	86,696,863.66	84,726,179.37
	<hr/>	<hr/>
Sub-total of cash outflows from operating activities	1,307,069,387.86	1,200,966,202.14
	<hr/>	<hr/>
Net cash flows from operating activities	-82,227,421.17	-99,535,966.07
	<hr/>	<hr/>

Consolidated cash flow statement (continued)

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from return on investments	10,000,000.00	3,281,200.00
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	734,647.20	132,907.69
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities		
	_____	_____
Sub-total of cash inflows from investing activities	10,734,647.20	3,414,107.69
	=====	=====
Cash paid on purchase of fixed assets, intangible assets and other long term assets	99,831,870.65	33,809,596.94
Cash paid for acquisition of investments		
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities		
	_____	_____
Sub-total of cash outflows from investing activities	99,831,870.65	33,809,596.94
	=====	=====
Net cash flows from investing activities	-89,097,223.45	-30,395,489.25
	=====	=====

Consolidated cash flow statement (continued)
January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
3. Cash flows from financing activities:		
Cash received from investment	1,298,239,997.92	
Including: cash received by		
subsidiaries from minority shareholders' investment		
Cash received from borrowings	574,000,000.00	422,698,456.50
Cash received from issuing bonds		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	1,872,239,997.92	422,698,456.50
Cash paid on repayment of borrowings	349,000,000.00	274,228,221.90
Cash paid on distribution of dividends or profits, or interest expenses	56,433,400.51	32,890,235.01
Including: bonus and profit paid to minority shareholders by subsidiaries	1,364,696.99	2,482,540.50
Cash paid on other financing activities	1,127,547.13	
Sub-total of cash outflows from financing activities	406,560,947.64	307,118,456.91
Net cash flows from financing activities	1,465,679,050.28	115,579,999.59
4. Effect of fluctuations in exchange rates on cash	-102,640.07	78,698.91
5. Net increase in cash and cash equivalents	1,294,251,765.59	-14,272,756.82
Add: balance of cash and cash equivalents at the beginning of the period	378,040,300.31	343,783,370.28
6. Balance of cash and cash equivalents at the end of the period	1,672,292,065.90	329,510,613.46

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Balance sheet

30 June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	1,382,300,784.28	194,463,677.11
Settlement provisions		
Placement with banks and other financial institutions		
Trading financial assets		
Bills receivable	2,668,550.00	1,850,000.00
Trade receivable	138,317,613.63	231,416,087.32
Prepayments	1,700,282.26	4,385,426.29
Premiums receivable		
Reinsurance receivable		
Reinsurance contract reserve		
Interest receivable		
Dividends receivable	13,368,209.68	13,423,299.05
Other receivables	216,042,782.91	183,251,605.81
Financial assets purchased for resale		
Inventories	16,095,900.94	16,266,554.62
Non-current assets due within one year		
Other current assets		
Total current assets	1,770,494,123.70	645,056,650.20
Non-current assets:		
Entrusted loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	1,357,467,831.98	1,258,560,531.44
Investment properties		
Fixed assets	405,745,259.96	415,060,414.27
Construction in progress	12,152,284.32	3,890,602.01
Construction supplies		
Clearance of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	22,800,291.99	23,536,609.81
Development expenses		
Goodwill		
Long term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	1,798,165,668.25	1,701,048,157.53
Total assets	3,568,659,791.95	2,346,104,807.73

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Liabilities and Shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	465,000,000.00	255,000,000.00
Borrowing from PBOC		
Customer and interbank deposits		
Borrowing from interbank		
Trading financial liabilities		
Bills payable	31,272,038.82	190,229,596.96
Accounts payable	48,256,320.87	82,446,535.37
Advances from customers	501,263.02	42,340.00
Financial assets sold under repurchase agreements		
Bank charges and Commissions due		
Salaries payable	14,724,850.96	15,676,136.45
Taxes payable	5,207,327.43	7,251,956.13
Interest payable	735,203.89	521,752.78
Dividend Payable		
Other payables	172,005,752.76	275,521,932.44
Reinsurers due		
Insurance contract reserves		
Customer deposits for trading in securities		
Customer deposits for securities underwriting		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	737,702,757.75	826,690,250.13
Non-current liabilities:		
Long term loans		
Bonds payables		
Long term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	737,702,757.75	826,690,250.13
Shareholders' equity:		
Share capital	913,838,529.00	655,015,000.00
Capital reserve	1,470,969,585.14	435,389,401.59
Less: treasury stock		
Special reserve		
Surplus reserve	220,739,998.89	220,739,998.89
General risk reserve		
Undistributed profits	225,408,921.17	208,270,157.12
Discounted spread in foreign currency statement		
Total shareholders' equity	2,830,957,034.20	1,519,414,557.60
Total liabilities and shareholders' equity	3,568,659,791.95	2,346,104,807.73

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Profit and loss statement

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
1. Total operating income	55,112,979.30	44,707,159.18
Including: Operating income	55,112,979.30	44,707,159.18
Interest income		
Premiums earned		
Income from Bank charges and Commissions		
2. Total operating cost	111,599,002.00	111,736,717.38
Including: Operating cost	33,293,517.67	30,518,889.91
Interest expenses		
Bank charges and Commissions		
Insurance withdrawal payment		
Net payment from indemnity		
Net provisions for insurance contract		
Insurance policy dividend paid		
Reinsurance cost		
Business taxes and surcharge	330,374.13	508,418.97
Selling expenses	6,890,243.25	3,722,997.39
Administrative expenses	62,526,005.67	71,519,616.74
Financial expenses	9,327,062.73	8,461,443.63
Loss in assets impairment	-768,201.45	-2,994,649.26
Add: Income from change in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	112,036,504.14	101,385,914.10
Including: Investment income of associates and joint ventures	112,036,504.14	101,385,914.10
Exchange gain (losses are represented by "-")		
3. Operating profit (losses are represented by "-")	55,550,481.44	34,356,355.90
Add: Non-operating income	1,012,451.19	704,418.77
Less: Non-operating expenses	123,268.58	127,336.76
Including: Loss from the disposal of non-current assets		
4. Total Profit (losses are represented by "-")	56,439,664.05	34,933,437.91
Less: Income tax		
5. Net Profit (losses are represented by "-")	56,439,664.05	34,933,437.91
6. Other comprehensive income		
7. Total comprehensive income	56,439,664.05	34,933,437.91

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Statement of change of shareholders' equity

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period						Total shareholders' equity	
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve		Undistributed Profits
1. Balance at the end of last year	655,015,000.00	435,389,401.59			220,739,998.89		208,270,157.12	1,519,414,557.60
Add: change in accounting policies Correction of Previous Errors								
2. Balance at the beginning of this year	655,015,000.00	435,389,401.59			220,739,998.89		208,270,157.12	1,519,414,557.60
3. Change of this year								
(a decrease is represented by "-")	258,823,529.00	1,035,580,183.55					17,138,764.05	1,311,542,476.60
(1) Net profit							56,439,664.05	56,439,664.05
(2) Other comprehensive income								
Subtotal of item (1) and (2) above							56,439,664.05	56,439,664.05
(3) Contribution and reduction of capital by shareholders	258,823,529.00	1,035,580,183.55						1,294,403,712.55
1.Capital contribution by shareholders	258,823,529.00	1,035,580,183.55						1,294,403,712.55
2.Amount settled by shares accounted for in shareholders' equity								
3.Others								
(4) Profit distribution							-39,300,900.00	-39,300,900.00
1.Transfer from surplus reserves								
2.Transfer from generic risk reserves								
3.Distribution to shareholders							-39,300,900.00	-39,300,900.00
4.Others								
(5) 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								
(6) Transfer and use of special reserve								
1.Transfer in current period								
2.Use in current period								
(7) Others								
4. Balance at the end of the year	913,838,529.00	1,470,969,585.14			220,739,998.89		225,408,921.17	2,830,957,034.20

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Items	Amount for the same period last year						Total shareholders' equity		
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve		Undistributed Profits	Other
1. Balance at the end of last year	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									
2. Balance at the beginning of this year	655,015,000.00	436,256,485.59			208,218,564.46		128,327,997.27		1,427,818,047.32
3. Change of this year (a decrease is represented by "-")							2,182,687.91		2,182,687.91
(1) Net profit							34,933,437.91		34,933,437.91
(2) Other comprehensive income									
Subtotal of item (1) and (2) above							34,933,437.91		34,933,437.91
(3) Contribution and reduction of capital by shareholders									
1.Capital contribution by shareholders									
2.Amount settled by shares accounted for in shareholders' equity									
3.Others									
(4) Profit distribution							-32,750,750.00		-32,750,750.00
1.Transfer from surplus reserves									
2.Transfer from generic risk reserves									
3.Distribution to shareholders							-32,750,750.00		-32,750,750.00
4.Others									
(5) 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									
(6) Transfer and use of special reserve									
1.Transfer in current period									
2.Use in current period									
(7) Others									
4. Balance at the end of the year	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

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Cash flow statement

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
1. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	65,959,455.02	26,776,257.69
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 financial assets		
Cash received from interest, bank charges and commissions		
Net increase in cash borrowed		
Net increase in cash received from repurchase operation		
Refunds of taxes		
Cash received from relating to other operating activities	167,946,863.24	51,492,462.05
Sub-total of cash inflows from operating activities	233,906,318.26	78,268,719.74
Cash paid on purchase of goods and services received	207,527,606.56	21,991,384.59
Net increase in loans and advances		
Net increase in deposits in 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	38,123,824.90	28,523,903.66
Cash paid for all types of taxes	1,834,615.38	3,554,856.54
Cash paid relating to other operating activities	177,171,501.38	81,506,983.07
Sub-total of cash outflows from operating activities	424,657,548.22	135,577,127.86
Net cash flows from operating activities	-190,751,229.96	-57,308,408.12

Cash flow statement (continued)

January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
2. Cash flows from investing activities:		
Cash received from disposal of investments		
Cash received from return on investments	13,184,292.97	721,957.17
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	141,651.70	
Net cash received from disposal of subsidiaries and other operating entities		
Cash received relating to other investment activities		
	_____	_____
Sub-total of cash inflows from investing activities	13,325,944.67	721,957.17
	=====	=====
Cash paid on purchase of fixed assets, intangible assets and other long term assets	8,869,671.31	22,695,682.45
Cash paid for acquisition of investments		89,381,394.60
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment activities		
	_____	_____
Sub-total of cash outflows from investing activities	8,869,671.31	112,077,077.05
	=====	=====
Net cash flows from investing activities	4,456,273.36	-111,355,119.88
	=====	=====

Cash flow statement (continued)
January-June 2013

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period	Amount for the same period last year
3. Cash flows from financing activities:		
Cash received from investment	1,298,239,997.92	
Including: cash received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	515,000,000.00	360,000,000.00
Cash received from issuing bonds		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	1,813,239,997.92	360,000,000.00
Cash paid on repayment of borrowings	305,000,000.00	170,000,000.00
Cash paid on distribution of dividends or profits, or interest expenses	51,445,232.90	26,904,587.80
Including: bonus and profit paid to minority shareholders by subsidiaries		
Cash paid on other financing activities	1,127,547.13	
Sub-total of cash outflows from financing activities	357,572,780.03	196,904,587.80
Net cash flows from financing activities	1,455,667,217.89	163,095,412.20
4. Effect of fluctuations in exchange rates on cash and cash equivalents	-98.78	-12.60
5. Net increase in cash and cash equivalents	1,269,372,162.51	-5,568,128.40
Add: balance of cash and cash equivalents at the beginning of the period	79,348,878.62	58,995,526.58
6. Balance of cash and cash equivalents at the end of the period	1,348,721,041.13	53,427,398.18

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2013 to 30 June 2013

(All amounts expressed in RMB unless otherwise stated)

I. Company Profile

Nanjing Panda Electronics Company Limited (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 Jian 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 RMB655,015,000.00. 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; molds; 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; molds; 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 Company's legal representative is Xia Dechuan and parent company is Panda Electronics Group Limited.

In December 2011, China Cinda Asset Management Co. Ltd. transferred its 8.87% equity interest in Panda Electronics Group Limited (hereinafter referred to as "PEGL") to Nanjing Electronics Information Industrial Corporation (hereinafter referred to as "NEIC").

Pursuant to the Provincial Government's Approval for Indirect Transfer of Listed Company's Equity Interest held by Panda Electronics Group Limited and Nanjing Hua Dong Electronics Group Limited (Su Zheng Fu [2009]No.45)(《省政府關於同意間接轉讓熊貓電子集團有限公司南京華東電子集團有限公司所持上市公司股權的批覆》(蘇政覆[2009]45號)) given by the People's Government of Jiangsu Province, the Reply to Issues concerning Transfer of Certain State-owned Equity Interest in Panda Electronics Group Limited at Nil Consideration (Su Guo Zi Fu [2012] No.22) (《關於熊貓電子集團有限公司部分國有產權無償變更有關問題的批覆》(蘇國資覆[2012]22號)) given by the State-owned Assets Supervision and Administration Commission of the People's Government of Jiangsu Province, the Approval for Change in Ultimate Controller of Nanjing Panda Electronics Company Limited (Guo Zi Chan Quan [2012] No.158) (《關於南京熊貓電子股份有限公司實際控制人變更有關問題的批覆》(國資產權[2012]158號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, and the Approval for Announcing Report on Acquisition of Nanjing Panda Electronics Company Limited by Nanjing Electronics Information Industrial Corporation and Exemption from General Offer Obligation Arising Therefrom (Zheng Jian Xu Ke [2012] No.770) (《關於核准中國電子信息產業集團有限公司公告南京熊貓電子股份有限公司收購報告書並豁免其要約收購義務的批覆》(證監許可[2012]770號)) given by China Securities Regulatory Commission, Jiangsu Guoxin Investment Group Limited, Nanjing Xingang Development Corporation and Nanjing State-owned Assets Investment Management Holdings Co. Ltd. transferred 21.59% shares, 22.07% shares and 4.32% shares respectively to Nanjing Electronics Information Industrial Corporation (shortened form "NEIIC") subsidiary of China Electronics Corporation (shortened form CEC) at nil consideration. PEGL completed relevant registration procedures in respect of change in its shareholders with competent industry and commerce authorities on 21 September 2012. Upon completion of the said transfer, CEC holds 56.85% equity interest in PEGL through NEIIC which is owned as to 70.00% by it, and thus holds 51.10% equity interest in the Company through PEGL. Therefore, CEC is the ultimate controller of the Company.

As approved by China Securities Regulatory Commission with Zheng Jian Xu Ke [2013] No. 332 Document (證監許可[2013]332號文), the Company issued 258,823,529 RMB-denominated ordinary shares at the issue price of RMB5.10 per share by way of non-public issue. The proceeds raised from the issue were received in full on 25 June 2013.

The financial statements of the Company were approved by the Board of the Company on 30 August 2013.

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 flows.

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 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

Transferal 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 long-term 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 unrecognized 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 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. Estimated Liabilities

Estimated liabilities 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.

Estimated liabilities are 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 estimated liabilities. 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 estimated liabilities arising from passage of time is recognized as interest expense.

The carrying amount of estimated liabilities 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 its 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 Change in Main Accounting Policies and Accounting Estimates and Correction of Previous Errors

1 Statement of change in accounting policies

There is no change on accounting policies of the Company for this accounting period.

2 Change in Accounting Estimates and Correction of Previous Errors

There is no change in accounting estimates and correction of previous errors of the Company for this accounting period.

VI. Taxation

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 amount of VAT payable is the output tax less input tax on purchases for the period.

According to the Notice of Pilot Program of Levying Value-added Tax in lieu of Business Tax (Cai Shui [2011]No.110) (關於印發《營業稅改徵增值稅試點方案》的通知(財稅[2011]110號)) and the Notice concerning Implementation of Pilot Plan of Levying Value-added Tax in lieu of Business Tax for Transport and Shipping Industry and Certain Modern Service Industries in Eight Provinces and Municipalities (including Beijing) (Cai Shui [2012] No.71) (《關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知》(財稅[2012]71號)) issued by the Ministry of Finance and State Administration of Taxation of the PRC, with effect from 1 October 2012, the Company and some subsidiaries of the Company registered in Jiangsu Province are subject to value-added tax at the rate of 6% in respect of revenue generated from R&D and technical services and IT services.

2 Sales Tax

Sales tax is applicable to the Company's revenue from lease of premises, construction and installation (excluding revenue from R&D and technical services and IT services).

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 payable amount of value-added tax and sales tax. The applicable tax rates are 7% and 3%-5% (the National rate is 3%, the local rate ranges from 0% to 2%) respectively.

4 Enterprise income tax

The Company was recognized by Jiangsu Science and Technology Commission as a high-tech enterprise on 30 September 2011 with an 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 rate of 15% from 1 January 2011 to 31 December 2013 according to the relevant requirements under Article 28 of the Law of the People's Republic of China on Corporate Income Tax.

The enterprise income tax rates applicable to the subsidiaries of the Company are 15%, 16.5% and 25% respectively.

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

Nanjing Panda Communications Technology Co. Ltd., a subsidiary of the Company, was 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 pays income taxes at the rate of 15% from 1 January 2011 to 31 December 2013.

Nanjing Huage Appliance and Plastic Industrial Co., Ltd., a subsidiary of the Company, was 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 pays income taxes at the rate of 15% from 1 January 2011 to 31 December 2013.

Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 8 November 2011 with an effective period of 3 years, and was issued a high-tech enterprise certificate (Certificate No. GR201132000618). Accordingly, it pays income taxes at the rate of 15% from 1 January 2011 to 31 December 2013.

Nanjing Panda Electronics Equipment Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 25 October 2012 with an effective period of 3 years, and was issued a high-tech enterprise certificate (Certificate No. GR201232001420). Accordingly, it pays income taxes at the rate of 15% from 1 January 2012 to 31 December 2014.

Nanjing Panda Electromechanical Instruments Technology Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012 with an effective period of 3 years, and was issued a high-tech enterprise certificate (Certificate No. GF201232000712). Accordingly, it pays income taxes at the rate of 15% from 1 January 2012 to 31 December 2014.

Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012 with an effective period of 3 years, and was issued a high-tech enterprise certificate (Certificate No. GF201232000755). Accordingly, it pays income taxes at the rate of 15% from 1 January 2013 to 31 December 2014.

Galant Limited, a subsidiary of the Company, registered in Hong Kong, is taxed at the rate of 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

1. 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.

2. 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.
3. 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.
 4. 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
1. 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.
 2. 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.
 3. 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.
 4. 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.

5. 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:

- 1. 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.
- 2. 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

1. 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.

2. Major subsidiaries and determination of consolidation scope as at 30 June 2013

Company name	Registration address	Nature of business	Registered capital (RMB'000)	Business scope
I. Subsidiaries acquired from merger of enterprises under same control				
Nanjing Panda Communication Technology Co., Ltd.	Nanjing	Manufacture	5,000	Development and manufacture of mobile communication, digital communication and network communication systems and products
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
II. The subsidiaries acquired otherwise				
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	Mechanical equipment leasing, property management
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	8,000	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories
Nanjing Panda Industrial Enterprise 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	HKD0.0001	R&D of communication products

Company name	The Company's actual investment (RMB'000)	Balance of other items effectively constituting net investment in subsidiaries (RMB'000)	Shareholding percentage (%)	Percentage of voting rights (%)	Whether to consolidate
I. Subsidiaries acquired from merger of enterprises under same control					
Nanjing Panda Communication Technology Co., Ltd.	5,001.80		100	100	Yes
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
II. The subsidiaries acquired otherwise					
Nanjing Panda Appliance & Apparatus Co., Ltd	99.27		100	100	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.	16,181.42		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 Electronics Equipment Co., Ltd.	8,000		100	100	Yes
Nanjing Panda Industrial Enterprise Co., Ltd.	2,000		100	100	Yes
Nanjing Panda Electronic Technology Development Company Limited	25,000		100	100	Yes
Galant Limited	HKD0.0001		100	100	Yes

(2) Preparation method of consolidated financial statements

1. 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.

2. 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.

3. 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) There are not any changes in the scope of consolidation.

(4) Non-controlling interests

1. Non-controlling interests of subsidiaries

Company name	Closing balance	Opening balance
Nanjing Panda Mechanical Manufacturing Co., Ltd.	8,748,444.13	7,639,458.43
Nanjing Panda Machinery Co., Ltd.	489,438.64	526,962.26
Nanjing Panda System Integration Co., Ltd.	1,204,452.00	1,425,067.56
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	5,379,447.60	5,371,714.85
Nanjing Panda International Telecommunication System Co., Ltd.	(4,696,761.67)	(4,691,746.73)
Nanjing Panda Power Sources Technology Co., Ltd.	(2,733,652.92)	(2,735,628.51)
Total	8,391,367.78	7,535,827.86

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 2013 and 30 June 2013 respectively, and the terms "last period" and "the period" refer to Jan-Jun 2012 and Jan-Jun 2013 respectively.

1. Cash and Bank Balances

Item	Closing balance	Opening balance
Cash at hand	486,941.07	775,785.00
Bank deposits	1,671,805,124.83	377,264,515.31
Other cash and bank balances	89,200,045.79	212,759,439.74
Total	<u>1,761,492,111.69</u>	<u>590,799,740.05</u>

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	724,943.72	6.1787	4,479,209.76	1,860,897.66	6.2855	11,696,672.24
HKD	113,528.91	0.7966	90,437.13	20,576.11	0.8109	16,684.14
EUR	37,888.89	8.0536	305,141.96	21,331.18	8.3176	177,424.22
Total			<u>4,874,788.85</u>			<u>11,890,780.60</u>

- (1) The closing balance of restricted other cash and bank balances amounting to RMB89,200,045.79 (end of 2012: RMB212,759,439.74) mainly included deposits for bank acceptance and contract guarantee.
- (2) The Company's bank balances included call deposits totaling RMB150,410,249.71 (the opening balance is RMB25,000,000.00)
- (3) The closing balance of the cash and bank balances increased by 198.15% from the opening balance, mainly due to the receipt of proceeds from non-public issue.

2. Bills Receivable

- (1) Details of bills receivable

Types of Bills	Closing Balance	Opening Balance
Bank acceptance notes	<u>52,872,101.57</u>	<u>37,673,756.21</u>
Total	<u>52,872,101.57</u>	<u>37,673,756.21</u>

- (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 RMB46,837,153.07.

- (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
Radio Frequency System (Shanghai) Company Limited	2013.3.20	2013.8.20	2,900,000.00	
ZTE Corporation	2013.4.18	2013.8.20	2,500,000.00	
Guangzhou THE SUN Communication Equipment Co., Ltd. (廣州泰陽通信設備有限公司)	2013.1.31	2013.7.31	2,000,000.00	
Nanjing Panda Handa Technology Co., Ltd.	2013.3.28	2013.9.28	2,000,000.00	
Nanjing Panda Handa Technology Co., Ltd.	2013.3.28	2013.9.28	2,000,000.00	
Nanjing Panda Handa Technology Co., Ltd.	2013.3.29	2013.9.29	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	2013.1.30	2013.7.30	2,000,000.00	
Total			<u>25,400,000.00</u>	

The closing balance of the notes receivable increased by 40.34% from that of the opening balance, mainly due to the increased settlement in notes.

3. Accounts Receivable

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

Item	Balance	Closing Balance		Percentage of provision for bad debt %
		Percentage %	Provision for bad debt	
Substantial amount of single account receivable with specific provision (Note 1)	577,934,121.40	80.95	51,452,248.80	8.90
Other individual amount of accounts receivable with specific provision (Note 2)	135,963,507.23	19.05	22,955,381.66	16.88
Total	713,897,628.63	100	74,407,630.46	
Opening Balance				
Item	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debt %
Substantial amount of single account receivable with specific provision	690,832,902.61	84.24	52,360,147.99	7.58
Other individual unsubstantial amount of accounts receivable with specific provision	129,221,028.61	15.76	22,744,606.17	17.60
Total	820,053,931.22	100	75,104,754.16	

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 bad debt	Percentage of provision for bad debt %	Reasons
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD	92,935,936.84			Expected can be recovered
Film and Television Bureau of Gansu Province Pandigital,inc	81,400,000.00	16,654,689.35	25.22	Expected can be recovered Current value of the expected future cash flow is lower than its carrying value
Nanjing Yougte Communication Equipment Co., Ltd.	25,327,000.00			Expected can be recovered
Birhai County Administration of Radio, Film and Television	24,498,300.00	555,850.00	2.27	Current value of the expected future cash flow is lower than its carrying value
Sheyang County broadcasters	22,768,650.00			Expected can be recovered
PACIC DIGIT CORP	21,203,650.91	21,203,650.91	100.00	Expected can not be recovered
Shanghai Amphenol Airwave Communication Electronics Co., Ltd.	18,620,519.75			Expected can be recovered
Nanjing Panda Handa Technology Co., Ltd.	18,136,110.47	836,004.18	4.61	Current value of the expected future cash flow is lower than its carrying value
Nanjing Sharp Electronics Co., Ltd.	16,720,574.17	202,958.02	1.21	Current value of the expected future cash flow is lower than its carrying value
Radio Frequency System (Shanghai) Company Limited	15,399,970.96			Expected can be recovered
Andrew Telecommunications Equipment (China) Co., Ltd.	14,334,863.62			Expected can be recovered
Nanjing Internet of Things Application Research Institute Co., Ltd.	13,775,775.00			Expected can be recovered
Ningxia Radio, Film & Television Bureau	12,396,623.00			Expected can be recovered
NARI Technology Development Co., Ltd.	10,935,424.50			Expected can be recovered
Changzhou Hengcheng Plastic Machinery Co., Ltd.	10,765,408.90			Expected can be recovered
Nanjing Ericsson Panda Communication Co., Ltd.	10,035,324.61	360.00		Current value of the expected future cash flow is lower than its carrying value
International Far Eastern Leasing Co., Ltd.	9,900,000.00			Expected can be recovered
DAIFUKU Automatic Handling Equipment (Suzhou) Co., Ltd. (大福自動搬送設備(蘇州)有限公司)	9,662,922.00			Expected can be recovered
Suzhou Compu International Co., Ltd.	7,952,988.16			Expected can be recovered
Nanjing Panda Electronic Import/Export Co., Ltd	7,715,526.16	9,009.77		Current value of the expected future cash flow is lower than its carrying value
Nanjing Jiaye Information Technology Industrial Co., Ltd. (南京伽葉信息科技有限公司)	7,468,716.16			Expected can be recovered
Jiangsu Broadcasting Cable Information Network Corporation Limited	6,923,945.00			Expected can be recovered
Nanjing Qixia District Cable Management Station	6,797,300.00			Expected can be recovered
Shong County Radio and Television Information Network Co., Ltd.	6,622,000.00			Expected can be recovered
JIU ZHOU GROUP (HK) HOLDINGS LTD	6,303,226.57	6,303,226.57	100.00	Expected can not be recovered
Jiangsu DAIFUKU Automatic Conveyor Co., Ltd.	6,074,639.48			Expected can be recovered
BSH Electrical Appliances (Jiangsu) Co., Ltd.	5,704,486.25			Expected can be recovered
Shenzhen No. 1 Environmental Science and Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected can not be recovered
Nanjing Guobo Electronics Co., Ltd	5,544,342.50			Expected can be recovered
Nanjing CANATAL Air Conditioning Electrical Co., Ltd.	5,293,781.00			Expected can be recovered
Guangdong Development Bank Co., Ltd. Nanjing Branch	5,000,000.00			Expected can be recovered
Total	577,934,121.40	51,452,248.80		

Note 2. Individual amount of accounts receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons
China National Tobacco Corporation of Jiangsu Province	4,638,979.71			Expected can be recovered
Nanjing Lopu Co., Ltd.	4,234,150.51			Expected can be recovered
Nanjing Xianlin University Town Science Park Co., Ltd. (南京仙林大學城科技園有限公司)	3,800,000.00			Expected can be recovered
Yancheng Institute of Technology	3,529,729.73			Expected can be recovered
Nanjing Ericsson Technology Co., Ltd.	3,343,990.68			Expected can be recovered
Municipal Authorities Administration Center of Nanjing (南京市市級機關管理中心)	3,211,575.55			Expected can be recovered
Fengxian Broadcasting and Television Information Network Co., Ltd.	3,520,440.00	912,400.00	25.92	Current value of the expected future cash flow is lower than its carrying value
Jiangsu Jining Paper Co., Ltd.	3,094,500.00			Expected can be recovered
Others	106,590,141.05	22,042,981.66	20.68	Current value of the expected future cash flow is lower than its carrying value
Total	135,963,507.23	22,955,381.66		

(2) Aging analysis of accounts receivable

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %
Within 1 year	490,085,536.53	68.65	1,159,535.90	0.24	648,215,145.24	79.04	2,043,540.16	0.32
1-2 years	157,142,047.64	22.01	23,947,520.37	15.24	122,162,725.76	14.90	23,733,838.49	19.43
2-3 years	21,724,839.44	3.04	4,375,514.47	20.14	4,885,129.85	0.60	4,608,213.64	94.33
3-5 years	32,771,640.35	4.59	32,751,495.05	99.94	32,785,057.21	4.00	32,752,209.74	99.90
More than 5 years	12,173,564.67	1.71	12,173,564.67	100.00	12,005,873.16	1.46	11,966,952.13	99.68
Total	713,897,628.63	100	74,407,630.46		820,053,931.22	100	75,104,754.16	

(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
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD	92,935,936.84	13.02	Within 1 year
Film and Television Bureau of Gansu Province	81,400,000.00	11.41	Within 1 year
Pandigital, inc	66,029,415.39	9.24	1-2 years
Nanjing Yougete Communication Equipment Co., Ltd.	25,327,000.00	3.55	Within 1 year
Binhai County Administration of Radio, Film and Television	24,498,300.00	3.43	Within 3 years
Total	290,190,652.23	40.65	

- (4) The closing balance of foreign account receivable

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	14,907,764.88	6.1787	92,110,606.86	15,794,182.72	6.2855	99,274,335.49
EUR	4,694.27	8.0536	37,805.77	235,497.68	8.3176	1,958,775.50
Total			<u>92,148,412.63</u>			<u>101,233,110.99</u>

- (5) The closing balance of accounts receivable included RMB1,131,982.90 due from Nanjing Panda Electronics Company Limited, the shareholder holding 36.63% shares of the Company.

- (6) The closing balance of accounts receivable includes RMB130,837,888.74 due from related parties, representing 18.33% of the total accounts receivable (the opening balance: RMB150,067,131.90, representing 18.30%). Please refer to Note X 3 (8) for disclosure of relevant related transactions.

- (7) Compared to last year, the amount of account receivable decreased by 12.95%, which was mainly due to the receipt of funds from the project "Gansu provincial government purchase for every family".

4. Prepayment

- (1) Details of prepayment

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %
Within 1 year	82,407,143.06	62.65	1,157.62		64,265,770.74	73.23	1,157.62	
1-2 years	43,982,932.82	33.44	2,644,535.65	6.01	11,449,338.75	13.04	765,563.30	6.69
2-3 years	918,015.42	0.70	655,163.12	71.37	6,474,701.81	7.38	2,303,579.26	35.58
More than 3 years	4,222,469.42	3.21	3,994,559.41	94.60	5,572,215.30	6.35	4,225,125.62	75.82
Total	<u>131,530,560.72</u>	<u>100</u>	<u>7,295,415.80</u>		<u>87,762,026.60</u>	<u>100</u>	<u>7,295,415.80</u>	

- (2) Prepayment with aging more than one year mainly consisted of construction payment which was not settled.

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

Client	Amount	Percentage %	The relationship with the prepared company	The time of prepayment	Reasons of unsettled accounts
Jiangsu Overseas Group International Engineering Co., Ltd.	13,863,942.13	10.54	The third party	Within 1 year	Products not reached
Shanghai Railway Communication Co., Ltd.	11,146,368.00	8.47	The third party	Within 1 year	Project not completed
China Railway and Communication Shanghai Engineering Group Co., Ltd.	7,488,854.60	5.69	The third party	Within 1 year	Project not completed
Suqian Wanlong Information Industry Co., Ltd. (宿遷萬隆信息產業有限公司)	5,304,200.95	4.03	The third party	Within 1 year	Project not completed
Nanjing Shenye Intelligent System Engineering Co., Ltd.	5,215,611.00	3.97	The third party	1-2 years	Project not completed
Total	<u>43,018,976.68</u>	<u>32.70</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 RMB76,025.00 due from related parties (the opening balance: 18,600.00), accounting for 0.06% of the total prepayment (the opening balance: 0.02%). Please refer to Note X 3 (8) for disclosure of relevant related transactions.
- (6) The closing balance of prepayment increased by 49.87% from the opening balance, mainly due to the increase in prepayment for purchase of materials.

5. Dividends receivable

Details of dividend receivable

Name of investee	Closing balance	Opening balance
Shenzhen Jingwah Electronics Co., Ltd	<u>3,129,203.60</u>	_____
Total	<u><u>3,129,203.60</u></u>	<u>_____</u>

6. Other Receivables

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

Item	Closing Balance			Percentage of provision for bad debt %
	Balance	Percentage %	Provision for bad debt	
Substantial amount of single other receivables with specific provision (note 1)	32,010,952.35	61.60		
Other individual unsubstantial amount of other receivables with specific provision (note 2)	<u>19,952,900.78</u>	<u>38.40</u>	<u>11,150,154.33</u>	21.46
Total	<u><u>51,963,853.13</u></u>	<u><u>100</u></u>	<u><u>11,150,154.33</u></u>	
Opening Balance				
Item	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debt %
Substantial amount of single other receivables with specific provision	29,712,528.91	49.18		
Other individual unsubstantial amount of other receivables with specific provision	<u>30,705,865.16</u>	<u>50.82</u>	<u>11,404,354.32</u>	37.14
Total	<u><u>60,418,394.07</u></u>	<u><u>100</u></u>	<u><u>11,404,354.32</u></u>	

Substantial amount of single other 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 other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt %	Percentage of provision for bad debt %	Reasons
Film and Television Bureau of Gansu Province	22,123,971.50			Expected can be recovered
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	3,476,980.85			Expected can be recovered
China Far East International Tendering Company	3,410,000.00			Expected can be recovered
China Electronics Technology Group Corporation	<u>3,000,000.00</u>			Expected can be recovered
Total	<u><u>32,010,952.35</u></u>	<u>_____</u>		

Note 2. Individual unsubstantial amount of single other receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons
Panda Electronics (Kunshan) Co., Ltd.	2,799,417.23	2,799,417.23	100.00	Expected can not be recovered
Nanjing Xinshengwei Customs	1,041,400.00			Expected can be recovered
Jinan Supervision Co., Ltd.	1,000,000.00			Expected can be recovered
Others	15,112,083.55	8,350,737.10	55.26	The expected future cash flow is less than its carrying value
Total	19,952,900.78	11,150,154.33		

(2) Aging analysis of other receivables

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debts %
Within 1 years	31,791,461.27	61.18	176,042.94	0.55	41,421,039.37	68.56	32,392.42	0.08
1-2 years	7,701,445.35	14.82	57,349.48	0.74	2,166,191.51	3.58	304,180.79	14.04
2-3 years	1,921,311.21	3.70	1,037,511.17	54.00	5,066,442.57	8.38	260,234.00	5.14
3-5 years	952,175.32	1.83	261,802.76	29.60	3,344,569.84	5.54	2,555,867.92	76.42
More than 5years	9,597,459.98	18.47	9,597,447.98	99.99	8,420,150.78	13.94	8,251,679.19	98.00
Total	51,963,853.13	100	11,150,154.33		60,418,394.07	100	11,404,354.32	

(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
Film and Television Bureau of Gansu Province	22,123,971.50	42.58	Within 1 year	Deposit
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	3,476,980.85	6.69	Within 1 year	Government Subsidies
China Far East International Tendering Company	3,410,000.00	6.56	Within 1 year	Deposit
China Electronics Technology Group Corporation	3,000,000.00	5.77	Within 1 year	Deposit
Panda Electronics (Kunshan) Co., Ltd.	2,799,417.23	5.39	More than 4 years	Receivables and Payables
Total	34,810,369.58	66.99		

(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 (the opening balance: RMB2,799,417.23), representing 5.39% of the total other receivables (the opening balance: 4.63%). Please refer to Note X 3 (8) for disclosure of relevant related transactions.

7. Inventories

(1) Details of inventories

Items	Closing balance		Value of inventories	Opening balance		Value of inventories
	Balance of inventories	Provision		Balance of inventories	Provision	
Raw materials	132,999,600.85	20,774,719.84	112,224,881.01	128,692,851.89	20,676,851.99	108,015,999.90
Packaging materials	690,062.00		690,062.00	412,224.26		412,224.26
Low-value consumables	337,789.48		337,789.48	412,797.63		412,797.63
Work in progress	113,481,575.44	6,517,984.83	106,963,590.61	74,331,606.12	6,517,984.83	67,813,621.29
Stored						
commodities	88,148,446.83	22,005,422.50	66,143,024.33	63,902,586.26	19,861,997.39	44,040,588.87
Consigned						
commodities	28,656,027.57		28,656,027.57	7,304,735.88		7,304,735.88
Delivered						
commodities	41,602,720.20	1,630,836.50	39,971,883.70	41,126,631.24	1,891,437.56	39,235,193.68
Total	405,916,222.37	50,928,963.67	354,987,258.70	316,183,433.28	48,948,271.77	267,235,161.51

(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	20,676,851.99	129,106.56	31,238.71		31,238.71	20,774,719.84	0.02
Work in progress	6,517,984.83					6,517,984.83	
Stored							
commodities	19,861,997.39	3,027,826.22		884,401.11	884,401.11	22,005,422.50	
Delivered							
commodities	1,891,437.56			260,601.06	260,601.06	1,630,836.50	
Total	48,948,271.77	3,156,932.78	31,238.71	1,145,002.17	1,176,240.88	50,928,963.67	

1. Basis of provision for diminution in value of inventories: on each balance sheet date, 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.
2. Reason for reversal of provision for diminution in value of inventories: Should the factors causing any write-down of the inventories do 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.

8. 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	591,573,375.42	112,036,504.14	13,129,203.60	690,480,675.96
Other Equity Investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long term equity investment	2,956,636.87			2,956,636.87
Total	592,266,738.55	112,036,504.14	13,129,203.60	691,174,039.09

Other equity investment is the long term equity investment in Jiangsu Provincial City Rail Transport Research & Design Institute Co., Ltd, The cost of investment amounted to RMB3,650,000, representing 7.3% of all the investment in this company. No impairment was found as at the end of the period.

(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 company						
Beijing SE Putin Mobile Communications Co., Ltd.	212,780,000.00	74,725,197.13		287,505,197.13	Beijing	Technological development
Nanjing Huaxian High Technology Company Limited					Nanjing	Technology
MPower Batteries (Nanjing) Co., Ltd.					Nanjing	Manufacture
Nanjing Ericsson Panda Communication Co., Ltd.	268,508,520.00	29,726,494.46		298,235,014.46	Nanjing	Manufacture
Shenzhen Jingwah Electronics Co., Ltd	98,054,531.02	7,584,812.55	13,129,203.60	92,510,139.97	Shenzhen	Manufacture
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.					Nanjing	Manufacture
Panda Electronics (Kunshan) Co., Ltd.					Kunshan	Manufacture
Nanjing Thales Panda Transportation System Company Limited	9,273,687.53			9,273,687.53	Nanjing	Manufacture
Panda Korea Chen Xi Joint Venture Company Limited	2,756,525.00			2,756,525.00	Korea	
Nanjing Panda Medical Electronics Co. Ltd.	200,111.87			200,111.87	Nanjing	Manufacture
Total	591,573,375.42	112,036,504.14	13,129,203.60	690,480,675.96		

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 company				
Beijing SE Putin Mobile Communications Co., Ltd.	20	20	17,579,933,659.21	373,625,985.65
Nanjing Ericsson Panda Communication Co., Ltd.	27	27	4,839,943,727.67	110,038,127.64
Shenzhen Jingwah Electronics Co., Ltd	38.03	38.03	846,409,127.69	19,944,287.53

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

Name of investee	Investment cost	Opening Balance	Additional Investment in the period	Increase/decrease of the investee's equity	Cash dividends received	Closing Balance
Beijing SE Putin Mobile Communications Co., Ltd.	50,361,373.68	212,780,000.00		74,725,197.13		287,505,197.13
Nanjing Huaxian High Technology Company Limited	10,000,000.00					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Co., Ltd.	60,863,279.60	268,508,520.00		29,726,494.46		298,235,014.46
Shenzhen Jingwah Electronics Co., Ltd	69,687,437.75	98,054,531.02		7,584,812.55	13,129,203.60	92,510,139.97
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	9,273,687.53				9,273,687.53
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	244,260,035.91	591,573,375.42		112,036,504.14	13,129,203.60	690,480,675.96

(4) Impairment provision of 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

9. Fixed Assets

(1) Details of fixed assets

Items	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Other equipment	Total
Original Cost						
Opening Balance	555,902,319.21	318,076,057.68	19,594,880.11	39,473,193.66	31,255,593.06	964,302,043.72
Transfer from CIP		8,119.66		66,315.38	658,974.35	735,409.39
Other addition in the period		5,665,024.53	821,280.69	989,193.60	78,770.07	7,554,268.89
Decrease in the period		12,126,816.63	468,923.00	505,570.28	3,172,107.27	16,273,417.18
Closing Balance	555,902,319.21	311,622,385.24	19,947,237.80	40,025,132.36	28,821,230.21	956,318,304.82
Accumulated depreciation						
Opening balance	136,907,763.47	169,697,191.85	6,359,678.12	29,617,647.67	15,794,911.90	358,377,193.01
Provision in the period	8,775,013.70	14,924,881.91	1,161,926.24	2,101,533.17	1,978,664.25	28,942,019.27
Decrease in the period		9,857,439.01	261,565.82	430,425.20	1,274,023.59	11,823,453.62
Closing balance	145,682,777.17	174,764,634.75	7,260,038.54	31,288,755.64	16,499,552.56	375,495,758.66
Impairment provision						
Opening balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Increase in the period						
Decrease in the period						
Closing balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Net book value						
Closing balance	407,247,420.93	136,718,339.51	12,687,199.26	8,719,891.73	12,316,468.85	577,689,320.28
Opening balance	416,022,434.63	148,239,454.85	13,235,201.99	9,839,061.00	15,455,472.36	602,791,624.83

(2) As at 30 June 2013, the buildings with a book value of RMB189,373,129.25 (the original value of RMB220,468,852.04) had been pledged as security for short-term borrowings of RMB110,000,000.00 and bills payable of RMB12,337,657.59. Please refer to Note VIII 15 and Note VIII 16 for disclosure of relevant information.

(3) Fixed assets leased out by operating lease

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Buildings	45,070,947.62	19,420,481.00	2,930,788.83	22,719,677.79
Total	45,070,947.62	19,420,481.00	2,930,788.83	22,719,677.79

(4) Fixed assets without certification

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Buildings	13,153,928.66	2,424,784.54	2,972,121.11	7,757,023.01
Total	13,153,928.66	2,424,784.54	2,972,121.11	7,757,023.01

- (5) Impairment provision of fixed assets

Item	Opening Balance	Provision during the period	Decrease in the period			Total	Closing Balance
			Reversal	Write-off			
Buildings	2,972,121.11						2,972,121.11
Machinery and equipment	139,410.98						139,410.98
Electronic equipment	16,484.99						16,484.99
Other equipment	5,208.80						5,208.80
Total	3,133,225.88						3,133,225.88

10. Construction in progress

- (1) The balance of construction in progress

Item	Balance on account	Closing balance Impairment provision	Book value	Balance on account	Opening balance Impairment provision	Book value
The first phase of the electronic equipment industry park	109,245,640.33		109,245,640.33	54,259,749.45		54,259,749.45
Xingang Training Center	6,572,598.91		6,572,598.91	3,890,602.01		3,890,602.01
Xingang No.4 and No.5 Plant Project	5,579,685.41		5,579,685.41			
Machinery and equipment	721,923.19		721,923.19	471,794.98		471,794.98
Total	122,119,847.84		122,119,847.84	58,622,146.44		58,622,146.44

- (2) Details of construction in progress

Name of project	Budget	Opening balance	Increase in the period	Transferred to		Closing balance	% of completion	% of budget	Resource of fund
				fixed assets in the period	Other decrease				
The first phase of the electronic equipment industry park	182,795,872.36	54,259,749.45	54,985,890.88			109,245,640.33	59.76	59.76	Self-owned fund
Xingang No.4 and No.5 Plant Project	180,000,000.00		5,579,685.41			5,579,685.41	94.70	94.70	Self-owned fund
Xingang Training Center	16,950,000.00	3,890,602.01	2,681,996.90			6,572,598.91	38.77	38.77	Self-owned fund
Machinery and equipment		471,794.98	965,537.60	735,409.39		721,923.19			Self-owned fund
Total		58,622,146.44	64,233,110.79	735,409.39		122,119,847.84			

- (3) The Company has no capitalization of 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 108.32% over the opening balance, mainly due to the construction of the first phase of the electronic equipment industry park in line with schedule.

11. Intangible assets

(1) Details of intangible assets

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total original cost	253,822,564.42	73,069.10		253,895,633.52
1. Land use right	89,143,893.57			89,143,893.57
2. Trademark use rights	158,640,000.00			158,640,000.00
3. Non-patent technology	4,683,741.56			4,683,741.56
4. Computer Software	1,330,709.29	71,584.10		1,402,293.39
5. Patents	24,220.00	1,485.00		25,705.00
II. Total accumulated amortization	167,302,703.30	1,410,806.95		168,713,510.25
1. Land use right	5,309,134.80	946,005.77		6,255,140.57
2. Trademark use rights	158,430,000.00			158,430,000.00
3. Non-patent technology	3,160,465.34	394,896.46		3,555,361.80
4. Computer Software	397,639.08	68,644.23		466,283.31
5. Patents	5,464.08	1,260.49		6,724.57
III. Total accumulated impairment provision of intangible assets	210,000.00			210,000.00
1. Land use right				
2. Trademark use rights	210,000.00			210,000.00
3. Non-patent technology				
4. Computer Software				
5. Patents				
IV. Total book value of intangible assets	86,309,861.12			84,972,123.27
1. Land use right	83,834,758.77			82,888,753.00
2. Trademark use rights				
3. Non-patent technology	1,523,276.22			1,128,379.76
4. Computer Software	933,070.21			936,010.08
5. Patents	18,755.92			18,980.43

(2) As at 30 June 2013, the land-use right with a book value of RMB11,396,500.10 (the original value of RMB13,795,763.25) had been pledged as security for short-term borrowings of RMB110,000,000.00 and bills payable of RMB12,337,657.59. Please refer to Note VIII 15 and Note VIII 16 for disclosure of relevant information.

12. 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	5,407,287.89	32,661,978.46	5,407,287.89	32,661,978.46
Staff remuneration payable	57,284.41	381,896.04	122,786.14	818,574.27
Depreciation of fixed assets	103,866.30	492,515.01	103,866.29	492,515.01
Account payables				
(aged more than 3 years)	39,742.59	264,950.63	39,742.59	264,950.63
Other payables	450,000.00	3,000,000.00	450,000.00	3,000,000.00
Accrued expenses	58,878.53	383,007.12	3,568.67	14,274.64
Total	6,117,059.72	37,184,347.25	6,127,251.58	37,252,293.01

(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
Long-term payables	272,460.77	1,816,405.10	311,720.39	2,078,135.93
Total	272,460.77	1,816,405.10	311,720.39	2,078,135.93

13. Details of Provision for Impairment of Assets

Item	Opening Balance	Provision in the period	Decrease in the period			Closing Balance
			Reversal	Write-off	Total	
1. Total provision for bad debt	93,804,524.28	116,021.45	1,027,283.32	40,061.82	1,067,345.14	92,853,200.59
Including: Accounts receivable	75,104,754.16	116,021.45	773,083.33	40,061.82	813,145.15	74,407,630.46
Other Receivables	11,404,354.32		254,199.99		254,199.99	11,150,154.33
Prepayment	7,295,415.80					7,295,415.80
2. Total provision for impairment of inventories	48,948,271.77	3,156,932.78	31,238.71	1,145,002.17	1,176,240.88	50,928,963.67
Including: Raw materials	20,676,651.99	129,106.56	31,238.71		31,238.71	20,774,719.84
Work in progress	6,517,984.83					6,517,984.83
Stock commodities	19,861,997.39	3,027,826.22		884,401.11	884,401.11	22,005,422.50
Delivered commodities	1,891,437.56			260,601.06	260,601.06	1,630,836.50
3. Total provision for impairment of long term equity investment	2,956,636.87					2,956,636.87
4. Total provision for impairment of fixed assets	3,133,225.88					3,133,225.88
Including: Buildings and structures	2,972,121.11					2,972,121.11
Machinery and equipment	139,410.98					139,410.98
Electronic equipment	16,484.99					16,484.99
Other equipment	5,208.80					5,208.80
5. Provision for impairment of intangible assets	210,000.00					210,000.00
Including: Trademark use right	210,000.00					210,000.00
Total	149,062,658.80	3,272,954.23	1,058,622.03	1,185,063.99	2,243,586.02	150,082,027.01

14. Restricted Assets

Restricted Assets	Opening book value	Increase in the period	Decrease in the period	Closing book value
1. Fixed assets used for guarantee				
Pledged fixed assets	108,318,342.96	220,468,852.04	108,318,342.96	220,468,852.04
Pledged intangible assets	1,106,635.40	11,396,500.10	1,106,635.40	11,396,500.10
2. Restricted assets due to other reasons				
Bank acceptance security deposits	141,266,742.40	312,383,956.11	432,237,738.71	21,412,959.80
Performance bond deposits	71,492,697.34	8,279,143.10	11,984,754.45	67,787,085.99
Total	322,184,418.10	552,528,451.35	553,647,471.52	321,065,397.93

15. Short Term Loans

(1) Details of short term loans

Type of loan	Closing Balance	Opening Balance
Credit loan	140,000,000.00	
Guaranteed loan	335,000,000.00	310,000,000.00
Collateral loan	110,000,000.00	50,000,000.00
Total	<u>585,000,000.00</u>	<u>360,000,000.00</u>

(2) No loans mentioned above were not repaid beyond due date.

(3) The collateral loan at the end of this period amounted to RMB110,000,000.00 (2012: RMB50,000,000.00). Please refer to Note VIII 9(2) and note VIII 11(2) 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 6.32% (Jan-Jun of 2012: 6.45%).

16. Bills Payable

Types of Bills	Closing Balance	Opening Balance	Amount due in the next accounting period
Bank acceptance notes	50,350,701.77	288,335,481.41	50,350,701.77
Total	<u>50,350,701.77</u>	<u>288,335,481.41</u>	50,350,701.77

Closing balance of bills payable decreased by 82.54% from the opening balance, mainly due to the cashing of the bills falling due.

17. Accounts Payable

(1) Details of accounts payable

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	380,180,984.46	75.08	369,204,529.85	77.91
1-2 years	85,719,527.97	16.93	44,629,856.66	9.42
2-3 years	1,737,818.86	0.34	24,038,667.25	5.07
More than 3 years	38,743,009.88	7.65	36,000,734.57	7.60
Total	<u>506,381,341.17</u>	<u>100</u>	<u>473,873,788.33</u>	<u>100</u>

(2) The closing balance of accounts payable includes RMB1,808,569.84 (2012: RMB3,997,184.39) due to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company.

(3) The closing balance of accounts payable included RMB13,587,067.94 (end of 2012: RMB26,424,383.02) 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
Yancheng College	7,334,434.36	Not yet settled	No
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 counter-party	No
Nanjing Panda Electronics Import and Export Company Limited	3,704,517.18	Not yet settled	No
Amlogic (Hong Kong) Limited	3,157,870.00	Not yet settled	No
Total	24,667,803.09		

18. Advances from Customers

- (1) Details of advances from customers

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	67,208,195.77	58.37	87,898,085.21	79.58
1-2 years	46,251,858.36	40.17	19,316,999.31	17.49
2-3 years	458,392.23	0.40	1,855,519.50	1.68
More than 3 years	1,229,244.41	1.06	1,380,327.38	1.25
Total	115,147,690.77	100	110,450,931.40	100

- (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 RMB14,191,361.33 (end of 2012: RMB5,596,748.06) received from related parties. Please refer to Note X(II)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.

19. Staff Remuneration Payable

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
1. Wage, bonus, allowance and subsidy	12,083,513.21	97,812,719.58	105,386,401.09	4,509,831.70
2. Expenses for employee benefits		8,566,221.18	8,566,221.18	
3. Expenses for social security	1,483,576.22	35,321,107.77	33,898,090.62	2,906,593.37
Including: Medical insurance	102,210.99	8,550,075.84	8,270,103.35	382,183.48
Basic pension fund	1,338,875.98	23,378,853.95	22,343,511.28	2,374,218.65
Unemployment insurance	27,986.35	2,289,831.30	2,209,824.06	107,993.59
Injury insurance	10,099.94	459,911.92	453,705.66	16,306.20
Maternity insurance	4,402.96	642,434.76	620,946.27	25,891.45
4. Housing reserve fund	823,512.10	15,761,563.32	15,349,126.12	1,235,949.30
5. Trade union funds and employee education funds	2,224,865.66	1,908,332.08	1,580,849.55	2,552,348.19
6. Compensation for employment termination	108,000.00	67,032.00	67,032.00	108,000.00
7. Laid-off benefits	21,302,620.63	380,573.76	4,089,700.68	17,593,493.71
8. Others	46,714.00	1,005,963.00	988,386.00	64,291.00
Total	<u>38,072,801.82</u>	<u>160,823,512.69</u>	<u>169,925,807.24</u>	<u>28,970,507.27</u>

(1) There is not any staff remuneration 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 2013 to the retirement date, including the unrecognized financing expenses amounting to RMB1,680,627.76 (end of 2012: RMB1,914,889.27). The unrecognized financing cost is amortized by the effective interest method.

20. Taxes Payable

Item	Tax rate	Closing Balance	Opening Balance
Value-added tax	See Note VI. Tax	5,084,313.94	18,051,948.55
Business tax	See Note VI. Tax	270,779.10	294,103.10
Urban maintenance and construction tax	See Note VI. Tax	817,379.27	1,203,009.79
Education surcharges	See Note VI. Tax	527,098.90	764,997.00
Enterprise income tax	See Note VI. Tax	147,359.40	8,096,078.00
Individual income tax		648,891.01	485,769.00
Others		18,517.06	29,284.70
Total		<u>7,514,338.68</u>	<u>28,925,190.14</u>

The closing balance of tax payable decreased by 74.02% from the opening balance, mainly because the Company paid taxes during the period.

21. Interest Payable

Item	Closing Balance	Opening Balance
Short-term loan interest	<u>735,203.89</u>	<u>521,752.78</u>
Total	<u>735,203.89</u>	<u>521,752.78</u>

The closing balance of interest payable increased by 40.91% from the opening balance, mainly because the increase in closing balance of short term loans.

22. Dividend Payable

Name of investors	Closing Balance	Opening Balance	Reason for
			outstanding more than one year
Natural person shareholders	<u> </u>	1,364,696.99	
Total	<u><u> </u></u>	<u>1,364,696.99</u>	

The closing balance of dividends payable decreased by 100% from the opening balance, mainly because Nanjing Panda Mechanical Manufacturing Co., Ltd., a subsidiary of the Company, paid the dividends payable to minority shareholders during the period.

23. Other Payables

Ageing	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	76,134,785.65	57.37	75,150,089.55	61.54
1-2 years	22,740,976.35	17.14	8,991,669.80	7.36
2-3 years	4,929,313.93	3.71	6,821,249.16	5.59
More than 3 years	28,907,487.32	21.78	31,144,894.03	25.51
Total	<u><u>132,712,563.25</u></u>	<u><u>100</u></u>	<u>122,107,902.54</u>	<u>100</u>

- (1) The closing balance of other payables included RMB11,984,341.83 (end of 2012: RMB11,814,041.57) payable to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company.
- (2) The closing balance of other payables includes RMB47,743,547.76 (end of 2012: RMB47,619,512.83) payable to related parties. 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)
China Electronics Corporation	34,000,000.00	Receivable and Payable
Panda Electronics Group Limited	11,984,341.83	Receivable and Payable
Management Committee of Nanjing Economic and Technological Development Zone	4,424,425.48	Deposits
Nanjing Keyong Technology Co., Ltd.	2,800,000.00	Security deposit
Nanjing Wantong Logistics Co., Ltd.	2,441,334.66	Transportation fee
Nanjing Science and Technology Agency	<u>2,283,000.00</u>	Project payment
Total	<u>57,933,101.97</u>	

24. 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		90,215,686.00		90,215,686.00
Other domestic shares		168,607,843.00		168,607,843.00
Foreign shares				
Sub-total		<u>258,823,529.00</u>		<u>258,823,529.00</u>
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				
Sub-total	<u>655,015,000.00</u>			<u>655,015,000.00</u>
Total	<u>655,015,000.00</u>	<u></u>	<u></u>	<u>913,838,529.00</u>

According to the Verification Report on Capital of Nanjing Panda Electronics Company Limited (TZ Hu QJ[2013] No.1907) (《南京熊貓電子股份有限公司驗資報告》(天職滬QJ[2013]1907號)) issued by Baker Tilly China (Special General Partnership) on 25 June 2013, as at 24 June 2013, the Company issued 258,823,529 RMB-denominated ordinary shares (A Shares) of RMB1.00 per share by way of non-public issue at the issue price of RMB5.10 per share. The proceeds raised totaled RMB1,319,999,997.90. After deduction of issuance expenses of RMB25,596,285.35, the net proceeds amounted to RMB1,294,403,712.55 (not including interest income arising from issuing funds for the subscription during frozen period), increasing share capital of RMB258,823,529.00 and capital reserve of RMB1,035,580,183.55.

25. Capital Reserve

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Capital premium	452,887,797.63	1,035,580,183.55		1,488,467,981.18
Other capital reserve	<u>13,498,333.16</u>			<u>13,498,333.16</u>
Total	<u>466,386,130.79</u>	<u>1,035,580,183.55</u>		<u>1,501,966,314.34</u>

During the reporting period, capital reserve of the Company increased RMB1,035,580,183.55 by way of non-public issue. Please see Note VIII 24 for details.

26. Surplus Reserve

Item	Opening Balance	Increase in the period	Decrease in the period	Closing Balance
Statutory surplus reserve	150,363,357.56			150,363,357.56
Discretionary surplus reserve	<u>70,376,641.33</u>			<u>70,376,641.33</u>
Total	<u>220,739,998.89</u>	<u></u>	<u></u>	<u>220,739,998.89</u>

27. Undistributed Profit

Item	This period	Previous period
Closing balance of previous year	342,614,884.56	256,332,969.10
Add: Changes in accounting policies Correction of previous errors		
Opening balance of the year	342,614,884.56	256,332,969.10
Add: Consolidated net profit attributable to the Company Compensation of loss from surplus reserve Other transfer-in	83,756,905.51	52,170,438.39
Less: Transfer to statutory surplus reserve Transfer to discretionary surplus reserve Distribution to shareholders	39,300,900.00	32,750,750.00
Closing balance of the period	387,070,890.07	275,752,657.49

(1) According to the 2012 annual profit distribution plan as approved at the 7th meeting of the 7th session of the Board of the Company and the 2012 annual general meeting, a cash dividend of RMB0.60 (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 31 December 2012, amounting to a total of RMB39,300,900.00.

(2) Closing balance of undistributed profit increased by 40.37% from opening balance, mainly because of the operating balance in the period.

28. Operating Income and Cost

(1) Income from principal operations and other activities

Item	This period	Previous period
Income from principal operations	900,872,686.44	1,039,165,348.38
Income from other activities	28,875,339.22	16,925,743.45
Total operating income	929,748,025.66	1,056,091,091.83
Cost of principal operations	778,662,846.16	926,974,024.78
Cost of other activities	12,538,858.08	10,476,115.90
Total operating cost	791,201,704.24	937,450,140.68

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

Business segment	This period		
	Income from principal operations	Cost of principal operations	Profit of principal operations
Electronic equipment products	534,025,229.63	454,181,901.58	79,843,328.05
Electronic manufacture products	302,411,053.18	270,518,592.96	31,892,460.22
Consumer electronic products	39,018,391.94	34,414,896.87	4,603,495.07
Others	25,418,011.69	19,547,454.75	5,870,556.94
Total	900,872,686.44	778,662,846.16	122,209,840.28
Business segment	Previous period		
	Income from principal operations	Cost of principal operations	Profit of principal operations
Electronic equipment products	636,408,211.63	570,802,948.83	65,605,262.80
Electronic manufacture products	309,395,193.33	275,685,514.93	33,709,678.40
Consumer electronic products	63,600,582.40	60,267,961.04	3,332,621.36
Others	29,761,361.02	20,217,599.98	9,543,761.04
Total	1,039,165,348.38	926,974,024.78	112,191,323.60

- (3) The Company's principal operations are located in Nanjing.
- (4) Sales revenue from the top five customers totaled RMB328,068,885.43, accounting for 35.29% of the Company's total sales revenue for the period.

29. Business Taxes and Surcharges

Item	This period		Previous period	
	Calculation basis	Amount	Calculation basis	Amount
Business tax	5% of lease income and others	4,164,205.89	5% of lease income and others	4,569,013.43
Urban maintenance and construction tax	7% of turnover tax	2,543,178.54	7% of turnover tax	2,134,132.05
Education surcharges	3-5% of turnover tax	1,085,683.58	3-5% of turnover tax	1,361,520.23
Total		7,793,068.01		8,064,665.71

30. Selling Expenses

Item	This period	Previous period
Advertising fee	6,582,306.91	2,641,579.81
Salaries and benefits for sales staff	6,234,857.39	6,457,142.47
Transportation fee	2,735,352.42	1,964,207.77
Entertainment expenses	1,651,832.20	2,287,880.14
Travelling expenses	968,296.70	855,701.66
Labour expenses	911,809.45	540,502.64
Others	635,114.68	431,046.32
Office expenses	553,621.63	373,132.72
Total	20,273,191.38	15,551,193.53

Selling expenses for this period increased by 30.36% from previous period, mainly due to the increase of advertising fee in this period.

31. Administrative Expenses

Item	This period	Previous period
Salaries and benefits and insurance for management staff	50,942,638.90	53,946,067.61
R&D expenses	48,696,272.69	41,104,508.66
Depreciation and amortization	11,417,331.97	6,353,724.15
Entertainment and travel expenses	6,817,059.95	6,619,590.16
Listing, auditing and consulting expenses	4,875,161.99	6,247,936.69
Office expenses, telephone fees and meeting fees	4,026,089.73	3,526,748.37
Tax	3,109,144.08	2,525,604.26
Labour expenses	1,738,416.53	1,420,397.31
Utilities	1,458,194.91	1,363,522.37
Repair costs	967,189.26	1,030,064.56
Others	3,952,985.41	3,846,725.62
Total	138,000,485.42	127,984,889.76

32. Financial Expenses

Item	This period	Previous period
Interest expenses	16,523,309.25	14,384,388.23
Less: Interest income	3,512,278.14	3,239,675.87
Exchange loss	303,560.65	870,234.86
Less: Exchange gain	318,132.49	67,870.03
Handling charges	188,437.51	490,518.82
Unrecognized finance expenses	234,261.51	259,118.88
Others	37,272.53	114,522.03
Total	13,456,430.82	12,811,236.92

33. Assets Impairment Loss

Item	This period	Previous period
Bad debt losses	(911,261.87)	(835,423.00)
Loss on inventory impairment	3,125,694.07	4,034,045.65
Total	2,214,432.20	3,198,622.65

Assets impairment loss for the period decreased by 30.77% as compared with last period, mainly due to decrease in provision for impairment of inventories made based on relevant standards.

34. Investment Income

(1) Listed by items

Item	This period	Previous period
Income from long-term equity investments under the equity method	112,036,504.14	101,385,914.10
Total	112,036,504.14	101,385,914.10

(2) Investment income listed by investees

Name of investee	This period	Previous period	Remarks
Nanjing Ericsson Panda Communication Company Limited	29,726,494.46	50,863,360.90	
Beijing SE Putian Mobile Communications Co., Ltd.	74,725,197.13	41,166,219.22	
Shenzhen Jingwah Electronics Co., Ltd.	7,584,812.55	9,356,333.98	
Total	112,036,504.14	101,385,914.10	

- 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 unrealized 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 was recognized based on the share of profit or loss of investees under equity method.

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

35. Non-operating income

(1) Details of non-operating income

Item	Amount for the period	Amount for last period	Amount included in extraordinary profit or loss for the period
Gains from disposal of non-current assets	327,931.60	19,711.11	327,931.60
Including: Gains from disposal of fixed assets	327,931.60	19,711.11	327,931.60
Gains from disposal of other non-current assets			
Write-off accounts payable		400,005.15	
Government subsidies	12,216,226.76	6,736,296.99	11,993,825.00
Net amercement income	1,200.00	11,037.33	1,200.00
Others	489,254.55	77,142.03	489,254.55
	<u>13,034,612.91</u>	<u>7,244,192.61</u>	<u>12,812,211.15</u>

(2) Government subsidies

Item	Amount for the year	Data sources
Financial subsidies and grants	7,960,000.00	QC[2012] No.383
Special fund of scientific and technological achievements of Jiangsu Province	3,000,000.00	Contract for special fund of scientific and technological achievements of Jiangsu Province, No. BA2010017
Energy conservation subsidy for household	755,250.00	"Twelve-five" year plan for the national basic public service system
Refund VAT for software Products	164,199.21	Preferential policies for encouraging the development of software and IC industries
Government grant from Qinhuai District	162,535.00	Government of Qinhuai District
Subsidy for child care from Nanjing	100,040.00	NJC[2011] No.8
Tax rebate for software	58,202.55	Certificate for software company
Awards for qualified IP enterprises from Municipal Science and Technology Bureau	16,000.00	NK[2012]No.262
	<u>12,216,226.76</u>	

Continued

Item	Previous period	Data sources
Grant and provision	6,402,820.00	NQC[2007] No.837 and NK[2007] No.265
Tax rebate for software	333,476.99	Certificate for software company
	<u>6,736,296.99</u>	

(3) The non-operating income for this period increased by 79.93% from previous period, mainly due to the increase of government grant.

36. Non-operating Expenses

Item	This period	Previous period	Amount included in extraordinary profit or loss for the period
Loss from the disposal of non-current assets	1,644,005.10	72,638.48	1,644,005.10
Including: Loss on disposal of fixed assets	1,644,005.10	72,638.48	1,644,005.10
Loss on disposal of other non-current assets			
Donation expenses	25,000.00	40,000.00	25,000.00
Fine payment expenses	13,164.83	10,287.33	13,164.83
Compensation expenses		103,300.00	
Others	171,690.55	110,323.65	171,690.55
Total	1,853,860.48	336,549.46	1,853,860.48

The non-operating expenses for the period increased by 450.84% from last period, mainly due to the disposal of fixed assets.

37. Income Tax Expenses

Composition of income tax expenses/(gains)

Item	Amount for the period	Amount for last period
Current income tax	(4,557,407.51)	7,057,818.95
Deferred income tax	(29,067.76)	(2,501,317.27)
Total	(4,586,475.27)	4,556,501.68

Income tax expenses incurred during the period declined by 200.66% as compared with the previous period, mainly due to receipt of income tax rebates.

38. Basic Earnings per Share and Diluted Earnings per Share

Item	Amount for the period	Amount for last period
Basic earnings per share	0.1265	0.0796
Diluted earnings per share	0.1265	0.0796

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 = S0 + S1 + Si x Mi ÷ M0 - Sj x Mj ÷ M0 - Sk

Where: "S0" represents total number of shares at the beginning of the period; "S1" represents shares increased from conversion of reserve into capital or share dividend distribution in the period; "Si" represents shares increased from issue of new shares or debt to equity during 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.

(2) Calculation of diluted earnings per share

Diluted earnings per share = $P1/(S0+S1+Si \times Mi \div MO - Sj \times Mj \div MO - Sk + \text{weighted average number of ordinary shares increased due to warrants, share options or convertible bonds})$

Where: "P1" 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.

39. 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	20,526,226.76	5,970,058.97
Interest income	3,512,278.14	3,237,675.87
Refund of acceptance deposit and performance bond	123,559,393.95	22,550,144.35
Others	350,044.40	3,934,101.13
Total	147,947,943.25	35,691,980.32

40. 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	48,696,272.69	43,907,735.41
Entertainment expenses	7,216,923.17	7,127,043.22
Office expenses	6,422,878.54	5,897,980.35
Intermediary service fees	4,979,199.24	4,883,516.69
Advertising fee	6,582,306.91	2,641,579.81
Travelling expenses	2,220,265.68	2,636,128.64
Transportation costs	2,735,352.42	2,327,323.87
Labor costs	2,650,225.98	1,960,899.95
Others	5,193,439.03	13,343,971.43
Total	86,696,863.66	84,726,179.37

41. Other Cash Paid Relating to Financing Activities

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

Item	Amount for the period	Amount for last period
Cost of non-public offering	1,127,547.13	
Total	1,127,547.13	

42. Supplemental Information of Cash Flow Statements

(1) Reconciliation of net profit to cash flows from operating activities

Item	Amount for the period	Amount for last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	84,612,445.43	54,767,398.15
Add: Provision for asset impairment	2,214,432.20	3,198,622.65
Depreciation of fixed assets	28,942,019.27	26,842,561.36
Amortization of intangible assets	1,410,806.94	622,385.28
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are represented by "-")	1,316,073.50	52,927.37
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 "-")	16,189,055.05	13,994,613.19
Loss on investment (gains are represented by "-")	(112,036,504.14)	(101,385,914.10)
Decrease in deferred income tax assets (increase is represented by "-")	10,191.86	(2,462,057.64)
Increase in deferred income tax liabilities (decrease is represented by "-")	(39,259.62)	(39,259.63)
Decrease in inventories (increase is represented by "-")	(89,732,789.09)	(24,840,189.38)
Decrease in trade receivables (Increase is represented by "-")	85,145,869.90	(139,811,044.22)
Increase in trade payables (Decrease is represented by "-")	(100,259,762.47)	69,523,990.90
Net cash flow from operating activities	<u>(82,227,421.17)</u>	<u>(99,535,966.07)</u>
2. Material investment and financial activities not involving cash inflow or outflow:		
3. Net change in cash and cash equivalents:		
Cash balance as at end of the period	1,672,292,065.90	329,510,613.46
Less: cash balance as at beginning of the period	378,040,300.31	343,783,370.28
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	<u>1,294,251,765.59</u>	<u>(14,272,756.82)</u>

(2) Information on cash and cash equivalents

Item	Amount for the period	Amount for last period
I. Cash		
Including: Cash on hand	1,672,292,065.90	329,510,613.46
Bank deposits available for immediate payment	486,941.07	855,387.08
Other cash fund available for immediate payment	1,671,805,124.83	328,655,226.38
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents		
	1,672,292,065.90	329,510,613.46

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)	126,836,191.51	86.83	6,242,350.00	4.92
Individually unsubstantial amount of accounts receivable with specific provision (Note 2)	19,234,126.63	13.17	1,510,354.51	7.85
Total	146,070,318.14	100.00	7,752,704.51	

Item	Balance	At the beginning of the period		
		Percentage %	Bad-debt provision	Percentage of bad-debt provision %
Individually substantial amount of accounts receivable with specific provision	225,367,373.71	94.23	7,154,750.00	3.17
Individually unsubstantial amount of accounts receivable with specific provision	13,801,418.12	5.77	597,954.51	4.33
Total	239,168,791.83	100.00	7,752,704.51	

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	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Nanjing Panda Information Industry Co., Ltd.	43,639,296.51			Expected to be recoverable
Birnhai County Radio and Television Bureau	24,498,300.00	555,850.00	2.27	Present value of the expected future cash flow is lower than its carrying value
International Far Eastern Leasing Co., Ltd.	9,900,000.00			Expected to be recoverable
Nanjing Qixia District Cable management station	6,797,800.00			Expected to be recoverable
Jiangsu Radio and Television Cable Information Networks Co., Ltd.	6,923,945.00			Expected to be recoverable
Strong County Radio and Television Information Network Co., Ltd.	6,622,000.00			Expected to be recoverable
Sheyang County broadcasters	22,768,850.00			Expected to be recoverable
Shenzhen No.1 Environmental Science and Technology Co. Ltd	5,686,500.00	5,686,500.00	100.00	Expected to be irrecoverable
Total	126,836,191.51	6,242,350.00		

Note 2: individually unsubstantial amount of other receivables with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Fengxian Broadcasting and Television Information Network Co., Ltd.	3,520,440.00	912,400.00	25.92	Present value of the expected future cash flow is lower than its carrying value
Peixian Broadcasting and Television Information Network Co., Ltd.	2,914,040.00			Expected to be recoverable
Funing County Broadcasters	2,844,000.00			Expected to be recoverable
Guaman Radio and Television Network Co., Ltd.	2,220,000.00			Expected to be recoverable
Ganyu Radio and Television Network Development Co., Ltd.	2,210,240.96			Expected to be recoverable
Nanjing Panda Handa Technology Co., Ltd.	1,775,621.41			Expected to be recoverable
Qinghai Radio and Television Information Network Co., Ltd.	1,120,000.00			Expected to be recoverable
Others	2,629,784.26	597,954.51	22.74	Present value of the expected future cash flow is lower than its carrying value
Total	19,234,126.63	1,510,354.51		

(2) Ageing analysis of accounts receivable

Ageing	Closing balance				Opening balance			Percentage of provision for bad debt %
	Amount	Percentage %	Provision for bad debt	Percentage of provision for bad debt %	Amount	Percentage %	Provision for bad debt	
Within 1 year	99,071,814.13	67.82	38,160.00	0.04	206,471,376.36	86.33		
1-2 years	28,232,209.50	19.33	0.00		24,944,710.96	10.43		
2-3 years	12,520,000.00	8.57	1,468,250.00	11.73	1,506,410.00	0.63	1,506,410.00	100.00
Over 3 years	6,246,294.51	4.28	6,246,294.51	100.00	6,246,294.51	2.61	6,246,294.51	100.00
Total	146,070,318.14	100.00	7,752,704.51		239,168,791.83	100.00	7,752,704.51	

(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
Nanjing Panda Information Industry Co., Ltd.	43,639,296.51	29.88	Within 1 year
Binhai County Radio and Television Bureau	24,498,300.00	16.77	Within 3 years
International Far Eastern Leasing Co., Ltd.	9,900,000.00	6.78	Within 1 year
Nanjing Qixia District Cable management station	6,797,300.00	4.65	Within 1 year
Jiangsu Radio and Television Cable Information Networks Co., Ltd.	6,923,945.00	4.74	Within 1 year
Total	91,758,841.51	62.82	

(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 RMB45,414,917.92 due from related parties of the Company, representing 31.09% of total accounts receivable.

(6) The closing balance of accounts receivable declined by 38.93% as compared with the beginning of the year, mainly due to collection of loans from related parties on schedule.

2. Other Receivables

(1) Breakdown of other receivables by categories

Item	As at the end of the period			
	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debt %
Individually substantial amount of other receivables with specific provision (Note 1)	215,009,020.71	89.25	17,460,512.19	8.12
Individually unsubstantial amount of other receivables with specific provision (Note 2)	25,907,709.49	10.75	7,413,435.10	28.61
Total	240,916,730.20	100.00	24,873,947.29	
	As at the beginning of the period			
Item	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debt %
Individually substantial amount of other receivables with specific provision	194,081,848.26	92.91	17,392,505.06	8.96
Individually unsubstantial amount of other receivables with specific provision	14,811,906.29	7.09	8,249,643.68	55.70
Total	208,893,754.55	100.00	25,642,148.74	

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	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Nanjing Panda Information Industry Co., Ltd.	88,740,962.22	2,074,292.91	2.34	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.	33,135,380.56	1,656,769.03	5.00	Present value of the expected future cash flow is lower than its carrying value
Nanjing Panda International Telecommunication System Co., Ltd.	19,205,045.29	960,252.26	5.00	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.	7,001,408.17	5,723,419.69	81.75	Present value of the expected future cash flow is lower than its carrying value
Total	215,009,020.71	17,460,512.19		

Note 2. Individually unsubstantial amount of other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Nanjing Panda Mechanical Manufacturing Co., Ltd.	4,500,000.00	3,175,267.03	70.56	Present value of the expected future cash flow is lower than its carrying value
Nanjing Baxia High-tech Industrial Park Investment and Development Co., Ltd.	3,476,980.85			Expected to be recoverable
Nanjing Panda Electronic Manufacture Co., Ltd.	2,345,633.88	199,781.69	8.52	Present value of the expected future cash flow is lower than its carrying value
Nanjing Panda Power Sources Technology Co., Ltd.	1,352,772.92	1,352,772.92	100.00	Expected to be irrecoverable
Others	14,232,321.84	2,685,613.46	18.87	Present value of the expected future cash flow is lower than its carrying value
Total	<u>25,907,709.49</u>	<u>7,413,435.10</u>		

(2) Ageing analysis of other receivables

Ageing	As at the end of the period			Percentage of provision %	As at the beginning of the period			Percentage of provision %
	Amount	Percentage %	Provision for bad debt		Amount	Percentage %	Provision for bad debt	
Within 1 year	156,204,806.18	64.84	4,818,939.08	3.09	124,756,946.22	59.72	4,910,019.05	3.94
1-2 years	4,493,483.97	1.87	426,670.94	9.50	2,837,196.68	1.36	434,000.00	15.30
2-3 years	22,563,124.57	9.37	574,519.79	2.55	59,360,186.07	28.42	215,875.61	0.36
3-5 years	44,576,534.97	18.50	5,975,036.97	13.40	12,302,267.16	5.89	10,616,248.86	86.30
Over 5 years	13,078,780.51	5.42	13,078,780.51	100.00	9,637,159.42	4.61	9,466,005.22	98.22
Total	<u>240,916,730.20</u>	<u>100.00</u>	<u>24,873,947.29</u>		<u>208,893,754.55</u>	<u>100.00</u>	<u>25,642,148.74</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.	88,740,962.22	36.83	Within 1 year
Galant Limited	59,880,446.17	24.86	Within 5 years
Nanjing Panda Electronic Equipment Co., Ltd.	33,135,380.56	13.75	Within 1 year
Nanjing Panda International Telecommunication System Co., Ltd.	19,205,045.29	7.97	Within 1 year
Nanjing Panda Technology Equipment Co., Ltd.	7,045,778.30	2.92	More than 2 years
Total	<u>208,007,612.54</u>	<u>86.33</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 RMB224,896,436.37 due from related parties of the Company, representing 93.35% 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	697,004,425.00			697,004,425.00
Investment in associated companies	579,343,051.02	112,036,504.14	13,129,203.60	678,250,351.56
Other equity investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long-term equity	21,436,944.58			21,436,944.58
Total	<u>1,258,560,531.44</u>	<u>112,036,504.14</u>	<u>13,129,203.60</u>	<u>1,357,467,831.98</u>

Other equity investment this year means to the long-term equity investment in Jiangsu Province City Rail Transit Design and Research Institute Co., Ltd, it cost RMB3,650,000.00 of the Company, accounting for 7.3% of the Company's investment and no impairment occurred as at the end of the period.

(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
Associated company						
Beijing SE Putian Mobile Communications Co., Ltd.	212,780,000.00	74,725,197.13		287,505,197.13	Beijing	Manufacturing
Nanjing Huaxian High Technology Company Limited					Nanjing	Technology development
Technology development MPower Batteries (Nanjing) Co., Ltd.					Nanjing	Manufacturing
Nanjing Ericsson Panda Communication Company Limited	268,508,520.00	29,726,494.46		298,235,014.46	Nanjing	Manufacturing
Shenzhen Jingwah Electronics Co., Ltd.	98,054,531.02	7,584,812.55	13,129,203.60	92,510,139.97	Shenzhen	Manufacturing
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.					Nanjing	Manufacturing
Total	<u>579,343,051.02</u>	<u>112,036,504.14</u>	<u>13,129,203.60</u>	<u>678,250,351.56</u>		

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

Name of investee	Investment cost	Opening balance	Additional investment in the period (less the equity transfer for 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	212,780,000.00		74,725,197.13		287,505,197.13
Nanjing Huaxian High Technology Company Limited	10,000,000.00					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Company Limited	60,863,279.60	268,508,520.00		29,726,494.46		298,235,014.46
Shenzhen Jingwah Electronics Co., Ltd.	69,687,437.75	98,054,531.02		7,584,812.55	13,129,203.60	92,510,139.97
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	34,769,364.00					
Total	<u>229,881,455.03</u>	<u>579,343,051.02</u>		<u>112,036,504.14</u>	<u>13,129,203.60</u>	<u>678,250,351.56</u>

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

Name of investee	Investment costs	Opening balance	Increase in the period	Decrease in the period	Closing balance	Cash dividends
Subsidiary						
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.	121,736,513.98	121,736,513.98			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 Electronics Technology Development Co., Ltd.	247,500,000.00	247,500,000.00			247,500,000.00	
Nanjing Panda Communication Technology Co., Ltd.	50,018,000.00	48,585,734.28			48,585,734.28	
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00	
Nanjing Panda Electronic Equipment Co., Ltd.	80,000,000.00	80,000,000.00			80,000,000.00	
Total	698,436,633.23	697,004,425.00			697,004,425.00	

(5) Impairment for the 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 Power Sources Technology Co., Ltd.	8,750,000.00					8,750,000.00
Nanjing Panda International Telecommunication System Co., Ltd.	7,655,000.00					7,655,000.00
Nanjing Panda Technology Equipment Co., Ltd.	5,031,944.58					5,031,944.58
Total	21,436,944.58					21,436,944.58

4. Operating Income and Operating Cost

(1) Income from principal operations and other operations

Item	Amount for the period	Amount for last period
Income from principal operations	44,229,924.81	31,820,384.92
Income from other operations	10,883,054.49	12,886,774.26
Total operating income	<u>55,112,979.30</u>	<u>44,707,159.18</u>
Cost of principal operations	32,987,029.51	26,138,040.41
Cost of other operations	306,488.16	4,380,849.50
Total operating cost	<u>33,293,517.67</u>	<u>30,518,889.91</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 operations	Profit of principal operations
Consumer electronic products	35,653,137.36	27,625,845.84	8,027,291.52
Electronic equipment products	543,048.99	469,259.56	73,789.43
Others	8,033,738.46	4,891,924.11	3,141,814.35
Total	<u>44,229,924.81</u>	<u>32,987,029.51</u>	<u>11,242,895.30</u>
		Amount for last period	
Business segment	Income from principal operations	Cost of principal operations	Profit of principal operations
Consumer electronic products	23,575,784.07	20,435,279.54	3,140,504.53
Others	8,244,600.85	5,702,760.87	2,541,839.98
Total	<u>31,820,384.92</u>	<u>26,138,040.41</u>	<u>5,682,344.51</u>

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

(4) Sales revenue from the largest five customers totalled RMB37,025,306.58 for the period, accounting for 67.18% 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
Income from disposal of long-term equity investments	112,036,504.14	101,385,914.10
Total	112,036,504.14	101,385,914.10

(2) Income from long-term equity investments under the equity method

Name of investee	Amount for the period	Amount for last period	Remarks
Nanjing Ericsson Panda Communication Co., Ltd.	29,726,494.46	50,863,360.90	
Beijing SE Putian Mobile Communications Co., Ltd. ("BMC")	74,725,197.13	41,166,219.22	
Shenzhen Jingwah Electronics Co., Ltd	7,584,812.55	9,356,333.98	
Total	112,036,504.14	101,385,914.10	

- Since i) there was no material difference in the accounting policies and accounting periods adopted between the investee and those of the Company; ii) there was no issue affecting the net profit of the investee for the year arising from the difference between fair value and book value of the long term assets; iii) there was no unrecognized internal profit that needs to be offset between the investee and the Company. The Company recognized investment income based on the investee's book value of net profit.

There was no material restriction on the remittance of the investment income to the Company.

6. Supplemental Information of Cash Flow Statements

(1) Reconciliation of net profit to cash flows from operating activities

Item	Amount for the period	Amount for last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	56,439,664.05	34,933,437.91
Add: Provision for asset impairment	(768,201.45)	(2,994,649.26)
Depreciation of fixed assets	9,271,993.57	8,940,361.76
Amortization of intangible assets	736,317.82	551,993.04
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are represented by "-")	(53,026.53)	26,241.37
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 "-")	12,565,584.43	10,889,587.80
Loss on investment (gains are represented by "-")	(112,036,504.14)	(101,385,914.10)
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 "-")	170,653.68	(5,478,131.88)
Decrease in trade receivables (Increase is represented by "-")	60,588,176.76	(54,470,632.16)
Increase in trade payables (Decrease is represented by "-")	(217,665,888.15)	51,679,297.40
Others		
Net cash flow from operating activities	(190,751,229.96)	(57,308,408.12)
2. Material investment and financial activities not involving cash inflow or outflow:		
Debt capitalization		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net change in cash and cash equivalents:		
Cash balance as at end of the period	1,348,721,041.13	53,427,398.18
Less: cash balance as at beginning of the period	79,348,878.62	58,995,526.58
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	1,269,372,162.51	(5,568,128.40)

(2) Information on cash and cash equivalents

Item	Amount for the period	Amount for last period
I. Cash	1,348,721,041.13	53,427,398.18
Including: Cash on hand	227,324.43	548,558.08
Bank deposits available for immediate payment	1,348,493,716.70	52,878,840.10
Other cash fund available for immediate payment		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	1,348,721,041.13	53,427,398.18

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.

Parent Company of the Company

Name of the parent company	Code of Organization	Legal Representative	Type of Company	Registered Address	Nature of business	Registered capital	Shareholding percentage in the Company %	Voting right percentage in the Company %
Panda Electronics Group Limited	134883152	Xu Guofei	a company with limited liabilities	Nanjing	Manufacture economy and technology development zone	RMB 1,266,060,000	36.63	36.63

The ultimate controller of the Company is China Electronics Corporation.

2. Subsidiaries of the Company

Name of subsidiaries	Code of Organization	Legal Representative	Type of Company	Registered Address	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	Manufacture	RMB5,000,000	100	100
Nanjing Panda Technology Equipment Co., Ltd.	24981058-6	Xu Guofei	Nanjing	Manufacture	RMB5,000,000	100	100
Nanjing Panda Power Supply Technology Co., Ltd.	76816539-8	Zhou Guixiang	Nanjing	Manufacture	RMB11,000,000	79.55	79.55
Nanjing Panda Information Industry Co., Ltd.	60897073-4	Xia Dechuan	Nanjing	Manufacture	USD23,000,000	100	100
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	73316319-X	Wang Wenbo	Nanjing	Manufacture	RMB60,000,000	100	100
Nanjing Panda Appliance & Apparatus Co., Ltd.	72457423-7	Liu Kun	Nanjing	Manufacture, software industry	RMB1,000,000	100	100
Nanjing Panda International Communication Systems Co., Ltd.	60892596-8	Dong Zhiming	Nanjing	Manufacture	USD1,240,000	72	72
Nanjing Panda Electronic Manufacture Co., Ltd.	76214760-7	Zhou Guixiang	Nanjing	Manufacture	USD20,000,000	100	100
Nanjing Guanghua Electronics Plastic Casings Factory	13491197-7	Wang Zhensu	Nanjing	Service industry	RMB11,497,600	100	100
Nanjing Panda Mechanical Co., Ltd.	73317462-2	Liu Guozhong	Nanjing	Manufacture	RMB3,000,000	85.82	85.82
Nanjing Panda Mechanical Manufacturing Co. Ltd.	72639764-9	He Shulin	Nanjing	Manufacture	RMB10,000,000	70	70
Nanjing Panda Mechanical Engineering Plant	13506466-9	He Zaiding	Nanjing	Service industry	RMB45,000,000	99.11	100
Nanjing Panda System Integration Co., Ltd.	74237045-7	Liu Changhua	Nanjing	Engineering software industry	RMB3,000,000	54.37	54.37
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	73888466-6	Guo Qing	Nanjing	Manufacture	RMB10,000,000	70	70
Nanjing Panda Industrial Enterprise Co., Ltd.	69043834-0	Wen Yuan	Nanjing	Service industry	RMB20,000,000	100	100
Nanjing Panda Electronic Equipment Co., Ltd.	69460069-1	Liu Kun	Nanjing	Manufacture	RMB80,000,000	100	100
Nanjing Panda Communication Technology Co., Ltd.	77701438-0	Dong Zhiming	Nanjing	Manufacture	RMB50,000,000	100	100
Nanjing Panda Electronic Technology Development Co. Ltd.	56721194-1	Wen Yuan	Nanjing	Manufacture	RMB250,000,000	100	100
Galant Limited	1006135	Xu Guofei	Hong Kong	Development of communication products	HKD1	100	100

3. Related parties with non-controlling relationship

Name of related parties	Code of organization	Relationship with the Company
Nanjing Panda Electronics Transportation Company	134888519	Subsidiary of the Group
Nanjing Zhen Hua Packing Material Plant	13487319X	Subsidiary of the Group
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	690402137	Subsidiary of the Group
Nanjing Panda Piezoelectric Technology Co., Ltd.	742394272	Subsidiary of the Group
Nanjing Panda Handa Technology Co., Ltd.	797102273	Subsidiary of the Group
Nanjing Panda Electronics Import & Export Co., Ltd.	134850684	Subsidiary of the Group
Nanjing Panda Electronics Import & Export (HK) Co., Ltd.		Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd.	765031909	Subsidiary of the Group
Nanjing 21st Century Electronic and Technology Square Company Limited	71627148X	Subsidiary of the Group
Panda Electronics Material Usage Co., Ltd.	134888156	Subsidiary of the Group
Nanjing Panda Electronic Technology Development Company Limited	134870044	Subsidiary of the Group
Nanjing Electronic Calibration Co., Ltd	13487289-1	Subsidiary of the Group
Nanjing Panda Technology Park Development Company Limited	59802163-0	Subsidiary of the Group
Shenzhen Jingwah Information Technology Co., Ltd	757607162	Under the same ultimate controller
Nanjing Panda China's Electronic Information Industry Group Co. Ltd	660687426	Under the same ultimate controller
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., Ltd	690442841	Under the same ultimate controller
China Electronic Exhibition & Advertisement International Co. Ltd	101130939	Under the same ultimate controller
Nanjing Changjiang Electronic Information Industry Group Co. Ltd	134899023	Under the same ultimate controller
China National Electronics Import/Export Corporation	10000106X	Under the same ultimate controller
Shenzhen Zhongdian Huaxing Electronic Technology Co., Ltd.	727152697	Under the same ultimate controller
China Electronic Appliance Corporation	10000624X	Under the same ultimate controller
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	704125290	Under the same ultimate controller
China Electronics Finance Company Limited	10209083-6	Under the same ultimate controller
Shenzhen Sangda Electronic Equipment Co., Ltd	771622086	Under the same ultimate controller
Wuhan Zhongyuan Electronics Group Co. Ltd	177717592	Under the same ultimate controller
Nanjing Ericsson Panda Communication Co., Ltd.	60891684-2	Associated company
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	608977514	Associated company
Panda Electronics (Kunshan) Co., Ltd.	718679729	Associated company of the Company's subsidiary
Nanjing Huaxian High Technology Company Limited	78711237-1	Associated company
Nanjing Thales Panda Transportation System Company Limited	76819214-2	Associated company of the Company's subsidiary
Intenna (Nanjing) Co. Ltd. [note]	60898216-1	Associated company
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) Pricing for transactions between the Company and related parties is based on fair price in the market.

1. Purchase of goods

Name of related parties	Content of transactions	Pricing policy and decision	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	7,977,501.49	1.63	11,734,700.86	1.51
Nanjing Zhen Hua Packing Material Plant	Packing materials	Market price	1,666,505.49	0.34	1,390,162.43	0.18
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Electronic products	Market price	1,259,293.14	0.26	4,981,675.22	0.64
Nanjing China Electronics Panda Crystal Technology Co., Ltd.	Electronic products	Market price	249,687.50	0.05		
Nanjing Huaxian High Technology Company Limited	Electronic products	Market price			679,503.19	0.09
Total			<u>11,152,987.62</u>	<u>2.28</u>	<u>18,786,041.70</u>	<u>2.42</u>

2. Receipt of services

Name of related parties	Content of transactions	Pricing policy and decision	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
China Electronics (Shenzhen) Co. Ltd	Receipt of services	Cost plus	2,317,607.69	5.80		
Nanjing Panda Electronics Transportation Company	Receipt of services	Cost plus	940,641.88	2.34	1,027,195.90	1.48
Panda Electronics Group Limited	Receipt of services	Cost plus	376,743.36	0.94	561,530.53	0.81
Nanjing Panda Electronic Technology Development Company Limited	Receipt of services	Cost plus	165,241.72	0.41	87,000.00	0.13
Nanjing Electronic Calibration Co., Ltd.	Receipt of services	Cost plus	98,818.00	0.25	88,818.00	0.13
Total			<u>3,899,052.65</u>	<u>9.74</u>	<u>1,764,544.43</u>	<u>2.55</u>

3. Sales of products

Name of related parties	Content of transactions	Pricing policy and decision	Amount for the period		Amount for last period	
			Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., Ltd.	Electronic products	Market price	91,789,359.54	10.64		
Nanjing China Electronics Panda Liquid Crystal Materials Technology Co., Ltd.	Electronic products	Market price	25,152,025.65	2.91		
Nanjing Panda Handa Technology Co., Ltd.	Electronic products	Market price	14,895,227.70	1.73	10,389,826.36	1.17
Nanjing Panda Electronics Import & Export Co., Ltd.	Electronic products	Market price	2,791,779.49	0.32	7,551,145.33	0.85
Nanjing Panda Piezoelectric Technology Co., Ltd.	Electronic products	Market price	111,752.11	0.01	25,897.41	
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Electronic products	Market price	61,495.73	0.01	18,724,794.12	2.11
Nanjing Panda Electronics Import & Export (HK) Co., Ltd.	Electronic products	Market price			21,353,308.63	2.40
Nanjing Ericsson Panda Communication Company Limited	Electronic products	Market price			2,833,606.88	0.32
Nanjing Thales Panda Transportation System Company Limited	Electronic products	Market price			2,125,717.04	0.24
Nanjing Panda Electronics Transportation Company	Electronic products	Market price			15,090.76	
Nanjing Huaxian High Technology Company Limited	Electronic products	Market price			2,280.34	
Total			134,801,640.22	15.62	63,021,666.87	7.09

4. Provision of services

Name of related parties	Content of transactions	Pricing policy and decision	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	13,430,182.84	20.24	17,766,014.33	11.06
Nanjing Panda Handa Technology Co., Ltd.	Provision of services	Market price	3,511,666.50	5.30	11,931,314.05	7.43
Panda Electronics Group Limited	Provision of services	Market price	3,152,949.25	4.75	500,000.00	0.31
Nanjing Panda Electronics Transportation Company	Provision of services	Market price	448,080.90	0.68	12,138.00	0.01
Nanjing 21st Century Electronic and Technology Square Company Limited	Provision of services	Market price	82,500.00	0.12	82,500.00	0.05
Panda Electronics Material Usage Co., Ltd.	Provision of services	Market price	59,829.06	0.10	188,034.18	0.12
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	Provision of services	Market price	28,642.41	0.04	68,764.00	0.04
Nanjing Panda Electronics Import & Export Co., Ltd.	Provision of services	Market price	14,870.00	0.02	33,810.00	0.02
Nanjing Huaxian High Technology Company Limited	Provision of services	Market price			5,435.90	
Total			20,728,720.96	31.25	30,588,010.46	19.04

5. Provision of guarantee

- (1) The Company provided a maximum amount guarantee for bank credit of RMB20,000,000.00 granted to Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a subsidiary of the Company, with a term from 21 November 2012 to 20 November 2013, from Jiangsu Bank Co., Ltd. Nanjing Huage Appliance and Plastic Industrial Co., Ltd provides counter-guaranty with all of its assets. As at 30 June 2013, the loan amounted to RMB20,000,000.00, with a term from 22 November 2012 to 21 November 2013.

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 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 Huage Appliance and Plastic Industrial Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2013, a loan of RMB10,000,000.00 had been drawn down, with a term from 24 January 2013 to 23 January 2014.

- (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 20 August 2012 to 20 August 2013 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 2013, RMB6,008,757.31 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 RMB1,008,757.31.

The Company provided a maximum amount irrevocable guarantee for a comprehensive credit line of RMB50,000,000.00 granted by Nanjing Branch of China Merchants Bank to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company, for a term from 21 June 2013 to 21 June 2014. Nanjing Panda Information Industry Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2013, RMB37,472,878.26 of the credit line had been utilized, among which, the Company provided guarantee for bank loan of RMB30,000,000.00, and 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 2013, the Company provided guarantee for secured promissory notes of RMB53,319,783.48.

The Company provided a maximum amount irrevocable guarantee for a comprehensive credit line of RMB85,000,000.00 granted by Nanjing Branch of Shanghai Pudong Development bank Co. Ltd. to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company, for a term from 7 September 2012 to 30 June 2013. Nanjing Panda Information Industry Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2013, RMB44,471,147.45 of the credit line had been utilized, among which, the Company provided guarantee for bank loan of RMB10,000,000.00, bank acceptance of RMB3,435,049.99 and secured promissory notes of RMB31,036,097.46.

- (3) The Company provided a joint and several liability guarantee for bank loan of RMB5,000,000.00 granted by China Electronics Financial Co., Ltd. to Nanjing Panda Mechanical Manufacturing Co., Ltd., a subsidiary of the Company, for a term expiring in two years after the maturity of liabilities under relevant master contract. As at 30 June 2013, the Company provided guarantee for bank loan of RMB5,000,000.00, with a term from 9 April 2013 to 9 April 2014.
- (4) The Company provided a maximum amount guarantee for a comprehensive credit line of RMB30,000,000.00 granted to Nanjing Panda Electronic Manufacture Co. Ltd., a subsidiary of the Company, with a term from 18 December 2012 to 23 August 2013, from Nanjing Maigaoqiao Sub-branch of Industrial Bank Co., Ltd. Nanjing Panda Electronic Manufacture Co. Ltd., provided counter guarantee with all of its assets. As at 30 June 2013, RMB16,801,639.00 of the credit line had been utilized, among which, the Company provided guarantee for bank loan of RMB10,000,000.00 and bank acceptance of RMB6,801,639.00.

- (5) The Company provided a maximum amount guarantee for a comprehensive credit line of RMB20,000,000.00 granted to Nanjing Panda Electronic Equipment Co. Ltd., a subsidiary of the Company, with a term from 25 November 2012 to 23 August 2013, from Nanjing Maigaoqiao Sub-branch of Industrial Bank. Nanjing Panda Electronic Equipment Co. Ltd., provided counter guarantee with all of its assets. As at 30 June 2013, the Company provided guarantee for bank loan of RMB10,000,000.00, with a term from 4 December 2012 to 3 December 2013.

The Company provided a maximum amount guarantee for a comprehensive credit line of RMB40,000,000.00 granted by Nanjing Branch of Shanghai Pudong Development Bank to Nanjing Panda Electronic Equipment Co., Ltd., a subsidiary of the Company, for a term from 3 September 2012 to 30 June 2013. Nanjing Panda Electronic Equipment Co., Ltd. provided counter guarantee with all its assets. As at 30 June 2013, RMB20,000,000.00 of the credit line had been utilized, among which, the Company provided guarantee for bank loans of RMB13,000,000.00, with a term from 3 September 2012 to 3 September 2013; and of bank loan of RMB7,000,000.00, with a term from 15 March 2013 to 15 March 2014.

As at 30 June 2013, the guarantees provided by the Company to its subsidiaries amounted to RMB223,074,205.50 (31 December 2012: RMB249,892,396.99).

6. Acceptance of guarantee

- (1) Panda Electronics Group Limited, the controlling shareholder of the Company entered into a maximum amount irrevocable letter of guarantee with Nanjing Branch of China Merchants Bank in May 2013, providing guarantee for credit facilities of RMB90,000,000.00 granted to the Company from Nanjing Branch of China Merchants Bank during the credit period from 13 May 2013 to 12 May 2014. As at 30 June 2013, details of unpaid borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing Amount	Period
Nanjing Panda Electronics Company Limited	Chengdong Sub-branch of Nanjing Branch of China Merchants Bank	50,000,000.00	2013.05.13-2014.05.13
Nanjing Panda Electronics Company Limited	Chengdong Sub-branch of Nanjing Branch of China Merchants Bank	40,000,000.00	2013.05.29-2014.05.29
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 2013, providing guarantee for borrowings of RMB50,000,000.00 granted to the Company from Nanjing Branch of Hua Xia Bank with the loan term from 20 March 2013 to 20 March 2014. As at 30 June 2013, details of unpaid borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing Amount	Period
Nanjing Panda Electronics Company Limited	Nanjing Branch of Huaxia Bank	50,000,000.00	2013.03.20-2014.03.20
Total		<u>50,000,000.00</u>	

- (3) Panda Electronics Group Limited, the controlling shareholder of the Company entered into a guarantee contract with Jiangsu Branch of Bank of Communications in March 2012, providing guarantee for borrowings of RMB55,000,000.00 granted to the Company with the loan term from 18 February 2013 to 21 August 2013. As at 30 June 2013, details of unpaid borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing Amount	Period
Nanjing Panda Electronics Company Limited	Jiangsu Branch of Bank of Communications	55,000,000.00	2013.02.18-2013.08.21
Total		<u>55,000,000.00</u>	

- (4) Nanjing Electronics Information Industrial Corporation, a related party of the Company entered into a guarantee contract with Nanjing Branch of Ping An Bank in June 2013, providing guarantee for borrowings of RMB20,000,000.00 granted to the Company with the loan term from 18 June 2013 to 26 December 2013, As at 30 June 2013, details of unpaid borrowings under the guarantee contract are as follows:

Name of borrower	Name of bank	Borrowing Amount	Period
Nanjing Panda Electronics Company Limited	Nanjing Branch of Ping An Bank	20,000,000.00	2013.06.18-2013.12.26
Total		<u>20,000,000.00</u>	

- (5) Nanjing Electronics Information Industrial Corporation, a related party of the Company entered into a guarantee contract with Nanjing Minggaoqiao Sub-branch of Industrial Bank Co., Ltd. in November 2012, providing guarantee for credit facilities of RMB100,000,000.00 (not limited to bank loan and bank acceptance) granted to the Company with a term from 20 November 2012 to 28 October 2013. As at 30 June 2013, RMB5,354,638.08 of the credit line had been utilized, all of which was the guarantee for bank acceptance provided to the Company by Nanjing Electronics Information Industrial Corporation.

As at 30 June 2013, the Company had acceptance of guarantee for short-term bank loans and for bank acceptance provided by Panda Electronics Group Limited, the controlling shareholder of the Company, of RMB195,000,000.00 (31 December 2012: RMB205,000,000.00), and RMB0 (31 December 2012: RMB60,595,238.06), respectively; and the Company had acceptance of guarantee for short-term bank loans and for bank acceptance provided by Nanjing Electronics Information Industrial Corporation of RMB20,000,000.00 (31 December 2012: Nil) and RMB5,354,638.08 (31 December 2012: RMB34,519,560.43), respectively.

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	422,185.32	1,132,221.64
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	57,540.00	111,984.00
Nanjing Panda Electronics Import & Export Co., Ltd.	27,600.00	55,200.00
Total	<u>507,325.32</u>	<u>4,298,445.64</u>

8. Balances due from/to related parties

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
Accounts receivable				
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD	92,935,936.84	81,984,831.45		
Nanjing Panda Handa Technology Co., Ltd	18,136,110.47	52,346,037.37		
Nanjing Ericsson Panda Communications Co. Ltd	10,035,324.61	3,412,867.00		
Nanjing Panda Electronics Import/Export Co. Ltd.	7,715,526.16	7,920,530.45		
Panda Electronics Group Co. Ltd.	1,131,982.90	1,447,748.07		
Nanjing Panda Electronics Transportation Company	257,980.77	107,404.76		
Nanjing Panda DaSheng Electronics Technology Company Limited.	130,749.97	48,480.00		
Panda (Beijing) International Information Technology Co., Ltd	107,685.29	107,685.29		
Nanjing Panda Electronic Technology Development Company Limited	87,320.00	87,320.00		
Nanjing 21st Century Electronic and Technology Square Company Limited	82,500.00			
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	75,940.13	728,814.00		
Shenzhen Sangda Electronic Equipment Co. Ltd	60,121.80	60,121.80		
Panda Electronics (Kunshan) Co., Ltd.	35,850.00	35,850.00		
Hua Fei Color Display Systems Co., Ltd.	33,450.00	33,450.00		
Nanjing Zhen Hua Packing Material Plant	4,700.00	94,000.00		
Nanjing Thales Panda Transportation System Company Limited	2,929.80	1,646,211.71		
Nanjing Electronic Calibration Co., Ltd	3,780.00	3,780.00		
Wuhan Zhongyuan Electronics Group Co. Ltd		2,000.00		
Total	130,837,888.74	150,067,131.90		

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
Accounts receivable-provision for bad debt				
Nanjing Panda Handa Technology Co., Ltd	836,004.18	833,024.15		
Panda (Beijing) International Information Technology Co., Ltd	107,685.29	107,685.29		
Shenzhen Sangda electronic Equipment Co. Ltd	60,121.80	60,121.80		
Panda Electronic (Kun Shan) Co. Ltd.	35,850.00	35,850.00		
Hua Fei Color Display Systems Co., Ltd.	33,450.00	33,450.00		
Nanjing Electronic Calibration Co., Ltd.	3,780.00	3,780.00		
Panda Electronics Group Co. Ltd.	9,300.00	9,300.00		
Nanjing Panda Electronics Import/Export Co. Ltd.	9,009.77	9,009.77		
Nanjing Ericsson Panda Communications Co. Ltd	360.00	360.00		
Wuhan Zhongyuan Electronics Group Co. Ltd		2,000.00		
Total	1,095,561.04	1,094,581.01		
Prepayments				
China Electronics Exhibition & Advertisement International Co., Ltd.	76,025.00			
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD		15,000.00		
Nanjing Zhongdian Panda Home Appliances Co., Ltd.		3,600.00		
Total	76,025.00	18,600.00		
Other receivables				
Panda Electronic (Kun Shan) Co. Ltd.	2,799,417.23	2,799,417.23		
Total	2,799,417.23	2,799,417.23		
Other receivables-provision for bad debt				
Panda Electronic (Kun Shan) Co. Ltd.	2,799,417.23	2,799,417.23		
Total	2,799,417.23	2,799,417.23		

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
Accounts payable				
Nanjing Panda Electronics Import/Export Co. Ltd.	7,839,375.10	16,808,647.12		
China Electronics (ShenZhen) Co. Ltd	2,571,451.00	1,597,057.23		
Panda Electronics Group Co. Ltd.	1,808,569.84	3,997,184.39		
Nanjing Panda Electronics Transportation Company	570,977.86	1,205,776.86		
Nanjing Panda Electronic Technology Development Company Limited	487,958.09	1,394,495.53		
Nanjing Zhen Hua Packing Material Plant	221,106.39	1,015,984.09		
Panda Electronic (Kun Shan) Co. Ltd.	63,139.64	63,139.64		
Nanjing Thales Panda Transportation System Company Limited	16,410.02	16,410.02		
Nanjing Electronic Calibration Co., Ltd	8,080.00			
Nanjing Zhongdian Panda Home Appliances Co., Ltd.		270,380.35		
Nanjing Changjiang Electronic Information Industry Group Co. Ltd		51,741.98		
Shenzhen Sangda Baiii Electric Appliance co., LTD		3,565.81		
Total	13,587,067.94	26,424,383.02		

Item	Closing balance	Opening balance	Terms and conditions	Whether receive or provide guarantee
Advances from customers				
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD	8,743,014.46			
Nanjing CEC-PANDA LCD Material Technology Co., Ltd (南京中電熊貓液晶材料科技有限公司)	4,315,194.00			
Nanjing Panda Handa Technology Co., Ltd	737,646.70	65,820.80		
Nanjing Huaxian High Technology Company Limited	390,000.00	2,060,000.00		
Nanjing Zhongdian Panda Home Appliances Co., Ltd.	5,506.17	783,301.17		
Nanjing Panda Electronics Import/Export (HK) Co. Ltd.		2,331,011.25		
Nanjing Panda Electronics Import/Export Co. Ltd.		356,614.84		
Total	14,191,361.33	5,596,748.06		
Other payables				
China Electronics Corporation	34,000,000.00	34,000,000.00		
Panda Electronics Group Co. Ltd.	11,984,341.83	11,814,041.57		
Nanjing Thales Panda Transportation System Company Limited	860,265.92	860,265.92		
Nanjing Panda Electronics Import & Export Co., Ltd.	431,096.74			
Panda Electronic (Kun Shan) Co. Ltd.	300,000.00	300,000.00		
Nanjing Panda Electronic Technology Development Company Limited	84,000.00	84,000.00		
Panda (Beijing) International Information Technology Co., Ltd	45,588.91	45,588.91		
Nanjing Panda Electronics Transportation Company	31,798.36	22,326.02		
Nanjing Electronic Calibration Co., Ltd.	6,256.00			
Nanjing Panda DaSheng Electronics Technology Company Limited	200.00	200.00		
Nanjing China Electronics Panda Property Management Co., LTD		493,090.41		
Total	47,743,547.76	47,619,512.83		

9. Finance service

The Company entered into the "Finance Service Contract" (hereinafter referred to as "contract") with China Electronics Financial Co., Ltd. (hereinafter referred to as "Financial Company") on 26 October 2012. According to the contract, the Financial Company offered relevant finance service for the company within the scope of its business license. The service include but not limited to capital settlement, cash receipts and payment, credit financing, capital management, general planning consulting, etc. Both of the contractors made an agreement that the Financial Company should offer a comprehensive credit line up to RMB300,000,000 since the contract take effect. And the upper balance of cash settlement in Financial Company is RMB200,000,000. The valid duration is 3 years since the date of agreement. The above Finance Service Contract was approved by the extraordinary Board meeting, and the second extraordinary general meeting of shareholders in year 2012. As at 30 June 2013, the loan balance from the Financial Company was RMB145,000,000.00 and the outstanding balance of deposits with the Financial Company was RMB45,900,131.92. During January-June, 2013, the interest payment to the Financial Company amounted to RMB2,014,166.67 and interest income from it amounted to RMB83,912.15.

10. Assets Rented

Related parties	Amount for the period Amount	Amount for last period Amount
Nanjing Panda Electronics Company Limited	<u>83,785.50</u>	<u> </u>
Total	<u><u>83,785.50</u></u>	<u><u> </u></u>

XI. Contingencies

- Please refer to Note X (III) 5 for the guarantees provided by the Company for bank borrowings of its subsidiaries.
- As at 30 June 2013, the Company did not have material contingent issues required to be disclosed other than the aforesaid.

XII. Commitments

1. Operating lease commitment

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

Item	Closing balance	Opening balance
Within 1 year	2,720,245.94	5,625,840.86
1-2 years	218,433.33	396,933.34
2-3 years	15,600.00	92,400.00
Total	<u><u>2,954,279.27</u></u>	<u>6,115,174.20</u>

2. Capital expenditure commitments

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

Item	Closing balance	Opening balance
Buildings and structures	<u><u>90,351,558.58</u></u>	<u>146,376,194.91</u>

XIII. Post Balance Sheet Events

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

XIV. Foreign Currency Conversion

The amount of exchange gain which is recorded into the profits and losses is RMB318,132.49, the amount of the exchange loss is RMB303,560.65, and the net exchange profits and losses is RMB14,571.84.

XV. Other Significant Events

1. According to the resolutions of annual general meeting of shareholders of 2012 on 20 May 2013, the Company will provide a maximum amount guarantee for borrowings of RMB300 million, RMB185 million, RMB100 million, RMB100 million and RMB150 million granted to subsidiaries Nanjing Panda Information Industry Co., Ltd., Nanjing Panda Electronic Equipment Co., Ltd., Nanjing Panda Electronic Manufacture Co., Ltd., Nanjing Huage Appliance and Plastic Industrial Co., Ltd., Nanjing Panda Mechanical Manufacturing Co., Ltd. with a term till 30 June 2016.
2. 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 total 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 Zhongyangmen Subbranch) 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.
3. Lease

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

Categories of assets leased out	Closing balance	Opening balance
Buildings and structures	45,070,947.62	138,199,618.84
Total	45,070,947.62	138,199,618.84

XVI. Reconciliation of Hong Kong and PRC Accounting Standards Differences (Unit: RMB thousands)

Items	Closing balance	Opening balance
Net assets attributable to the shareholders of parent company under accounting principles generally accepted in Hong Kong and PRC accounting standards	3,023,616	1,684,756
Items	Closing balance	Opening balance
Net profit attributable to the shareholders of parent company accounting principles generally accepted in Hong Kong and PRC accounting standards	83,757	52,170

SUPPLEMENTARY INFORMATION

I. Related financial indicators

Profit for the reporting period	Reporting period	Return on net assets (%)		Earnings per share (RMB/share)	
		Reporting period	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	Jan-Jun 2013		4.78	0.1265	0.1265
	Jan-Jun 2012		3.25	0.0796	0.0796
Net profit attributable to holders of ordinary shares after extraordinary items	Jan-Jun 2013		4.24	0.1122	0.1122
	Jan-Jun 2012		2.92	0.0716	0.0716

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 statement, "Net profit attributable to holders of ordinary shares of the Company" excludes the amount of non-controlling interests; based on the consolidated net profits after deducting non-controlling 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 non-controlling interests.

- (2) Weighted average return on net assets

$$\text{Weighted average return on net assets} = P / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

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; "E_i" 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; "E_j" 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; "M_i" represents the months from the next month of the increase of assets to the end of the reporting period; "M_j" represents the months from the next month of the decrease of assets to the end of the reporting period; "E_k" represents the increase or decrease of net assets arising from other transactions or matters; "M_k" 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; "S_i" represents shares increased from issue of new shares or debt to equity during the reporting period; "S_j" represents the reduced shares arising from repurchase during reporting period; "S_k" represents the number of reduced shares during the reporting period; "M₀" represents months in the reporting period; "M_i" represents the months from the next month of the increase of shares to the end of the reporting period; "M_j" represents the months from the next month of the decrease of shares to the end of the reporting period.

- (4) Diluted earnings per share

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

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; "S_i" represents shares increased from reporting period issue of new shares or debt to equity, etc; "S_j" represents the reduced shares arising from repurchase during reporting period; "S_k" represents the number of reduced shares during the reporting period; "M₀" represents months in the reporting period; "M_i" represents the months from the next month of the increase of shares to the end of the reporting period; "M_j" 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	(1,316,073.50)	(52,927.37)
(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)	11,993,825.00	6,402,820.00
(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		
(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	280,599.17	224,273.53
(21) Other gains and losses within the definition of extraordinary items		
Sub-total	10,958,350.67	6,574,166.16
Less: Effect of income tax	1,515,133.40	1,107,948.79
Extraordinary gains and losses after the effect of income tax	9,443,217.27	5,466,217.37
Including: Extraordinary gains and losses attributable to owners of the Company	9,454,491.54	5,258,573.95
Extraordinary gains and losses attributable to minority shareholders	(11,274.27)	207,643.42

X. DOCUMENTS AVAILABLE FOR INSPECTION

- I. 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;
- II. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the Reporting Period.
- III. The Interim report published on Hong Kong Stock Exchange.

Chairman: Lai Weide

Nanjing Panda Electronic Company Limited

30 August 2013