

PANDA Electronics

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Nanjing Panda Electronics Company Limited

2014

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 is true, accurate and complete and does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the contents herein.
2. All Directors attended the fifteenth meeting of the seventh session of the Board of the Company held on 15 August 2014.
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, accuracy 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 2014.
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 (南京中電熊猫信息產業集團有限公司)
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)
Shenzhen Jingwah	Shenzhen Jingwah Electronics Co., Ltd. (深圳市京華電子股份有限公司)
Electromechanical Instruments Technology Company	Nanjing Panda Electromechanical Instruments Technology Co., Ltd. (南京熊猫機電儀技術有限公司)
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

Overview 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	Zhang Jian, 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
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	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Bankers	Name	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 2014)	Corresponding period of last year (January-June 2013)	Changes from corresponding period of last year (%)
Operating income	1,164,508,418.29	929,748,025.66	25.25
Net profit attributable to shareholders of the Company	85,116,408.79	83,756,905.51	1.62
Net profit attributable to shareholders of the Company after extraordinary items	56,377,869.13	74,302,413.97	-24.12
Net cash flow from operating activities	-65,418,352.79	-82,227,421.17	N/A
	As at the end of the Reporting Period (30 June 2014)	As at the end of the previous year (31 December 2013)	Changes from the end of the previous year (%)
Net assets attributable to shareholders of the Company	3,148,354,979.91	3,122,698,040.70	0.82
Total assets	4,226,775,692.39	4,138,059,514.52	2.14

(II) Key financial indicators

Unit: RMB (Yuan)

Key financial indicators	Reporting Period (January-June 2014)	Corresponding period of last year (January-June 2013)	Changes from corresponding period of last year (%)
Basic earnings per share (RMB/share)	0.0931	0.1265	-26.40
Diluted earnings per share (RMB/share)	0.0931	0.1265	-26.40
Basic earnings per share after extraordinary items (RMB/share)	0.0617	0.1122	-45.01
Weighted average return on net assets (%)	2.70	4.78	Decreased by 2.08 percentage points
Weighted average return on net assets after extraordinary items (%)	1.79	4.24	Decreased by 2.45 percentage points

II. PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS (UNAUDITED)

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2014

RMB'000

	2014	2013
	January - June	January - June
	(unaudited)	(unaudited)
Turnover	1,151,055	919,163
Cost of sales	(1,017,672)	(794,327)
Gross profit	133,383	124,836
Other income and net losses	32,165	14,197
Distribution costs	(17,364)	(20,273)
Administrative expenses	(149,290)	(137,525)
Operating loss	(1,106)	(18,765)
Finance income	15,292	3,512
Finance costs	(1,653)	(16,758)
Finance income / (costs), net	13,639	(13,246)
Share of profits of associates	78,748	112,037
Profit before taxation	91,281	80,026
Income tax (expense)/ credit	(5,270)	4,586
Profit for the period	86,011	84,612
Other comprehensive income		
Profit and total comprehensive income for the period	86,011	84,612
Attributable to:		
Equity holders of the Company	85,116	83,757
Non-controlling interests	895	855
	86,011	84,612
Earnings per share attributable to equity holders of the Company for the period (RMB per share)	0.09	0.13
Dividend	—	—

III. 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.

IV. Extraordinary items

Unit: RMB (Yuan)

Extraordinary items	Amount
Gains and losses from disposal of non-current assets	-4,831.00
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	24,357,360.00
Profit and loss from entrusted investment	10,443,026.03
Other non-operating net income and expenses other than the aforesaid items	103,646.69
Impact on enterprise income tax	-6,180,127.71
Net extraordinary profit and loss attributable to minority shareholders	19,465.65
Total	28,738,539.66

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 2014, the Company centered on various operation targets, further improved its independent innovation capacity, solidly proceeded with the construction of internal control system, used proceeds efficiently and in compliance with regulations, expanded marketing channel, accelerated the construction of corporate culture, proactively built a harmonious enterprise and promoted the stable and sustained development of enterprise.

(I) Analysis of principal operations

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

Unit: RMB

	Amount for the period (January - June 2014)	Amount for the same period last year (January - June 2013)	Change (%)
Operating income	1,164,508,418.29	929,748,025.66	25.25
Operating cost	1,007,939,132.50	791,201,704.24	27.39
Selling expenses	17,363,776.09	20,273,191.38	-14.35
Administrative expenses	149,825,608.68	138,000,485.42	8.57
Financial expenses	-2,588,649.38	13,456,430.62	-119.24
Net cash flows from operating activities	-65,418,352.79	-82,227,421.17	N/A
Net cash flows from investment activities	-493,414,981.83	-89,097,223.45	N/A
Net cash flows from financing activities	-60,599,509.57	1,485,679,050.28	-104.13
R&D expenditure	60,142,050.72	48,696,272.69	23.50
Non-operating income	26,223,304.83	13,034,612.91	101.18
Non-operating expenses	121,375.47	1,853,860.48	-93.45
Income tax expenses	5,269,885.62	-4,586,475.27	N/A
Business taxes and surcharge	11,651,615.17	7,793,068.01	49.51
Loss in assets impairment	8,863,936.28	2,214,432.20	300.28

Reasons for the changes:

- (1) Financial expenses: mainly due to a substantial decrease in average short-term borrowings during the period;
- (2) Net cash flows from investment activities: mainly due to the purchase of wealth management products with the temporarily idle raised proceeds by the Company;
- (3) Net cash flows from financing activities: mainly because the proceeds from non-public issuance of shares were received in the previous period;
- (4) Non-operating income: mainly due to an increase in income from project research and development subsidies recognized during the period;
- (5) Non-operating expenses: mainly due to disposal of fixed assets in the previous period;
- (6) Income tax expenses: mainly due to the income tax refund received in the previous period;
- (7) Business taxes and surcharge: mainly due to a large increase in business taxes paid as a result of an increase in income from construction and installation services in the period;
- (8) Loss in assets impairment: mainly due to an increase in provision for diminution in value of inventories by the Company in accordance with the Accounting Standards for Business Enterprises in the period as compared with the previous period.

2. Substantial changes in other financial indicators of the Company and the reasons therefor (prepared in accordance with the PRC Accounting Standards for Business Enterprises) (unaudited)

Unit: RMB

	30 June 2014	31 December 2013	Change (%)
Cash and bank balances	765,994,528.23	1,379,826,018.92	-44.49
Trading financial assets	395,000,000.00	0	N/A
Prepayments	182,195,936.48	130,692,769.39	39.41
Construction in progress	296,677,461.61	218,171,100.84	35.98
Advances from customers	135,380,142.17	98,285,406.79	37.74
Taxes payable	57,806.16	19,941,903.30	-99.71
Interest payable	116,666.67	83,333.33	40.00

Reasons for the changes:

- (1) The decrease in cash and bank balances was mainly due to the purchase of wealth management products with the temporarily idle raised proceeds by the Company;
- (2) The increase in trading financial assets was mainly due to the purchase of wealth management products with the temporarily idle raised proceeds by the Company;
- (3) The increase in prepayments was mainly due to the increase in prepayments for purchase of materials;
- (4) The increase in construction in progress was mainly due to the construction of Phase I of Electronic Equipment Industry Park as scheduled;
- (5) The increase in advances from customers was mainly due to the increase in amount due from customers for projects;
- (6) The decrease in taxes payable was mainly due to more remaining value-added tax of some subsidiaries at the end of the period;
- (7) The increase in interest payable was mainly due to the increase in short-term loan interest accrued at the end of the period.

3. Others

- (1) Explanation about material changes in the Company's profit structure or sources: N/A
- (2) Explanation on progress of the Company's financing activities and material asset reorganization in the previous period
 - Non-public issue of shares to raise proceeds

Upon approval of the non-public issue by the CSRC and other relevant commissions and ministries, the Company issued 258,823,529 RMB dominated ordinary A shares by way of non-public issue to raise proceeds amounting to RMB1,319,999,997.90 in June 2013. For details, 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 (Lin 2013-019) (《南京熊猫電子股份有限公司非公開發行股票發行結果暨股本變動公告》(臨2013-019)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 2 July 2013 and the announcement published on the website of Hong Kong Stock Exchange on 1 July 2013.

In the first half of 2014, the Company used the proceeds in accordance with the provisions and requirements under relevant laws, regulations and normative documents and disclosed the usage of proceeds in a prompt, authentic, accurate and complete way mainly including using proceeds for proceeds investment projects, using the temporarily idle raised proceeds for purchase of principal-guaranteed bank wealth management products, etc. For details please see the Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited (Lin 2014-066) (《南京熊猫電子股份有限公司募集資金存放與實際使用情況的專項報告》(臨2014-066)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 16 August 2014, the announcement published on the website of Hong Kong Stock Exchange on 15 August 2014 and the section headed "(IV) Analysis of investment under I in Section IV" of this Interim Report.

On 30 June 2014, the trading moratorium of 219,607,843 shares subscribed by 8 investors apart from NEIC (of which Aegon-Industrial Fund Management Co., Ltd. participated in the subscription through 10 accounts) was released and such shares became tradable. For details please see the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Lin 2014-049) (《南京熊猫電子股份有限公司非公開發行限售股上市流通公告》(臨2014-049)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 25 June 2014 and the announcement published on the website of Hong Kong Stock Exchange on 15 August 2014.

- Material assets reorganization of acquisition of 5.07% equity interests in Shenzhen Jingwah

The Company intended to acquire the 5,834,430 shares of Shenzhen Jingwah (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash; upon completion of the transaction, the Company would directly hold 43.10% equity interests in Shenzhen Jingwah, and hold the major representation in the board of directors of Shenzhen Jingwah after reelection and the accounts of Shenzhen Jingwah will be consolidated in the consolidated statements of the Group. The appraised value was the basis for the transaction price and the delisting price for transaction of state-owned property right in the market was the pricing basis for the acquisition of shares of Shenzhen Jingwah by the Company from PEGL. In accordance with the Assets Evaluation Report in Relation to the Proposed Transfer of Equity Interests in Shenzhen Jingwah Electronics Co., Ltd. by Panda Electronics Group Limited (Wo Ke Sen Ping Bao Zi [2014] No. 0088) (《熊猫电子集团有限公司拟转让深圳市京华电子股份有限公司股权项目资产评估书》(沃克森评报字[2014]第0088号)) with 31 December 2013 as the reference date issued by Vocation (Beijing) International Assets Valuation Company Limited (沃克森(北京)国际资产评估有限公司), the appraised value of the net assets of Shenzhen Jingwah was RMB993,408,800. The price of 5,834,430 shares of Shenzhen Jingwah held PEGL as listed on Shanghai United Assets and Equity Exchange for open bidding amounted to RMB50,365,830 and the transaction price was the delisting price amounting to RMB50,365,830. The transaction has been considered and approved at the fourteenth meeting of the seventh session of the Board of the Company. In accordance with relevant provisions under the Regulation on Significant Asset Reorganizations of Listed Companies (上市公司重大资产重组管理办法), the transaction constituted a material assets reorganization. Pursuant to relevant laws and regulations, the transaction shall be subject to the following approval procedures: (1) consideration and approval of the material assets reorganization and connected transaction at the general meeting of the Company; (2) approval or filing (depending on the relevant provisions of the competent department) of the material assets reorganization and connected transaction by the CSRC. For details please see the relevant announcements published in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 16 July 2014.

(3) Explanation on progress of operational plan

During the Reporting Period, the Company stably proceeded with and implemented various works in accordance with the 2014 operational plan. Details are as follows:

1) Endeavor to implement various operation targets

In 2014, the environment for operation and development is complicated. The accomplishment of various operation targets of the Company is subject to the impact of many uncertain factors. For this, the Company internally exploited potentialities and externally expanded the market, and better accomplished the operation targets for the first half of 2014. Under the PRC Accounting Standards for Business Enterprises, revenue from operations amounted to RMB1,164,508,400, representing an increase of 25.25% as compared with the same period last year; total profit amounted to RMB91,281,200, representing an increase of 14.06% as compared with the same period last year; net profit attributable to owners of the Company amounted to RMB85,116,400, representing an increase of 1.62% as compared with the same period last year. Under the Hong Kong Financial Reporting Standards, revenue from principal operations amounted to RMB1,151,055,000, representing an increase of 25.23% as compared with the corresponding period last year; profit of principal operations amounted to RMB91,281,200, representing an increase of 14.06% as compared with the corresponding period last year; net profit attributable to shareholders of the Company amounted to RMB85,116,400, representing an increase of 1.62% as compared with the corresponding period last year.

- 2) Use raised proceeds efficiently and in compliance with regulations

In accordance with the plan for the use of raised proceeds, it was considered by the Board to make additional contribution to Technology Development Company and Electronics Equipment Company. Such additional contributions guaranteed the smooth implementation of investment projects with the raised proceeds, further enhanced the competitive advantages of the Company, increased the economic benefits of the Company and shortened the gap with the world's leading enterprises. Without affecting the implementation of investment projects with the raised proceeds, the Company continued to use the temporarily idle raised proceeds within the limit as approved by the Board for purchase of principal-guaranteed bank wealth management products. The Company further boosted the construction of Electronic Equipment Industry Park and completed the construction of the Electronic Equipment Industry Park as scheduled.

- 3) Further propel independent innovation capacity and develop key industries

The Company continued to increase investment in research and development, integrate scientific and technological resources, carried out building of technical innovation platforms in multiple fields and at multiple levels, and improved the industrial application of scientific and technological achievements. It coordinated and implemented works relating to the reporting and inspection of governmental projects as well as the reporting of intellectual property rights of the enterprises it belongs to, and effectively enhanced technological innovation strengths. It promoted the leapfrog development of professional technologies through the introduction of technology and high-level scientific talents and achieved a batch of important key technological innovation achievements. Its technical strength and core competitiveness have entered into a new stage.

- 4) Solidly proceed with the construction of internal control system and improve various management systems

The Company organized the implementation of internal control evaluation scheme on the basis of daily operation monitoring, financial monitoring and supervision on audit in accordance with the requirements on regulation of listed companies by regulatory institutions including the CSRC and the Company's own internal control management as well as the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and Evaluation Guideline on Enterprise Internal Control (《企業內部控制評價指引》) with the focus placed on the major business matters in the process of business operation and management, key risk control fields and refinement of internal control, completed on-site internal control review for the head office and subsidiaries of the Company, performed self-evaluation of internal control of the Company, and disclosed the evaluation report in accordance with the requirements on information disclosure by listed companies. The Company earnestly summarized the issues and risks found in internal control evaluation and completed the ninth amendments to the management system of the Company. The Company formulated the Code of Conduct for Controlling Shareholder and De Facto Controller and made amendments to the Articles of Association, the Shareholders' Return Plan (2013-2015) Rules of Procedures for the Supervisory Committee, and the Emergency Response Plan for Risks in Deposit in China Electronics Financial Co., Ltd. in accordance with the relevant provisions of regulatory institutions and the actual operation needs of the Company.

- 5) Proactively build a harmonious enterprise

The Company regarded taking care of employees as an important part of its work, paid attention to the problems reflected by employees, ensured the income growth of most general staffs in post, cared about employees' lives and particularly further provided assistance subsidies to employees with difficulties. The Company insisted on conducting skill competitions, held staff's skill games and organized a number of skill competitions to promote the growth of highly skilled talents. The Company insisted on enriching staff's cultural life and proactively built a harmonious enterprise, so as to enhance the cohesion and centripetal force of the enterprise.

(4) Operational plan for the second half year

In the second half of 2014, the Company will continue to follow the established operational plan and make solid progress in the building of its internal control system, expand marketing channels, accelerate cultivation of talents and building of corporate culture, steadily implement proceeds investment projects, proactively build a harmonious enterprise, promote steady and sustainable development and endeavour to achieve all operating targets of the enterprise.

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

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

1. Principal operations by business or product (prepared under 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	657,183,282.30	573,538,491.71	12.73	23.06	26.28	-2.22
Electronic manufacturing services	440,435,418.48	382,840,833.68	13.08	45.64	41.52	2.53
Consumer electrics products	26,421,294.24	22,476,889.90	14.93	-32.29	-34.69	3.13
Others	28,260,091.76	19,025,664.88	32.68	11.18	-2.67	9.58
Total	1,152,300,086.78	997,881,880.17	13.40	27.91	28.15	-0.16

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 end of 2013.

(IV) Analysis of investment

1. Overall analysis of equity investment

In the first half of 2014, the Company's equity investment amounted to RMB141 million. At the extraordinary meeting of the seventh session of the Board of the Company, it was resolved to make capital contribution to the implementing entities in steps based on the actual situation of proceeds investment projects: (1) to make the second capital contribution to Technology Development Company (the first and second portions of which amounted to RMB40 million and RMB55 million respectively); (2) to make the capital contribution to Electronics Equipment Company, the second portion of which amounted to RMB46 million (the first portion of which amounted to RMB64 million), for details please refer to the Announcement on Use of Raised Proceeds for Capital Contribution to Subsidiaries of Nanjing Panda Electronics Company Limited (Lin.2013-048) (《南京熊猫电子股份有限公司關於用募集資金對子公司進行增資的公告》(臨2013-048)) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 10 December 2013). The funds for the said capital contributions are from the raised proceeds; the increased registered capitals have been deposited in the special savings accounts for proceeds. The particulars are shown below:

Unit: RMB'000

No.	Company Name	Registered capital before capital contribution	Total amount of Capital contribution from January to June 2014	Registered capital after capital contribution	Ratio of shareholding
1	Technology Development Company	55,000	9,500	64,500	100%
2	Electronics Equipment Company	14,400	4,600	19,000	100%
	Total		14,100		

2. Entrusted wealth management and derivatives investment.

(1) Entrusted wealth management products

As considered and approved at the extraordinary meeting of the seventh session of the Board, the Company was allowed to use temporarily idle raised proceeds in the amount of not more than RMB550 million (inclusive) to invest in highly safe and liquid products with principal preservation terms for a term of one year. For details, please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (Lin. 2013-031) (《南京熊猫电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》(臨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.

In the first half of 2014, the amount used in the purchase of principal-guarantee bank wealth management products by the Company and its subsidiaries (all being the implementing entities of the proceeds investment projects) is within the limit as approved by the Board. As at 30 June 2014, balance of proceeds used in purchasing principal-guarantee bank wealth management products was RMB395,000,000; as at 15 August 2014, the balance was RMB385,000,000. Particulars of the entrusted wealth management products are as follows:

Unit: RMB'000

No.	Name of Partner	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Expected annual rate of return	Actual amount of principal recovered	Actual income obtained
1	Shanghai Pudong Development Bank Co., Ltd.	9,500	2014-01-03	2014-02-27	6.50%	9,500	93.05
2	Bank of Communications Company Limited	9,000	2014-01-08	2014-02-07	5.50%	9,000	40.68
3	Bank of Communications Company Limited	21,500	2014-01-08	2014-04-08	5.50%	21,500	291.58
4	China Construction Bank Co., Ltd.	15,000	2014-01-10	2014-02-11	5.80%	15,000	76.27
5	PingAn Bank Co., Ltd.	7,000	2014-02-12	2014-03-14	4.10%	7,000	23.59
6	China Construction Bank Co., Ltd.	15,500	2014-02-14	2014-03-27	5.20%	15,500	90.53
7	Shanghai Pudong Development Bank Co., Ltd.	9,600	2014-03-03	2014-06-01	5.20%	9,600	124.46
8	Shanghai Pudong Development Bank Co., Ltd.	1,000	2014-03-12	2014-06-10	5.20%	1,000	12.82
9	PingAn Bank Co., Ltd.	7,400	2014-03-14	2014-05-15	4.60%	7,400	47.85
10	China Construction Bank Co., Ltd.	12,500	2014-04-04	2014-06-26	4.95%	12,500	140.70
11	China Construction Bank Co., Ltd.	2,000	2014-04-04	2014-06-26	4.95%	2,000	22.51
12	China Construction Bank Co., Ltd.	1,000	2014-04-04	2014-05-13	4.75%	1,000	5.08
13	Bank of Communications Company Limited	21,500	2014-04-24	2014-05-26	3.80%	21,500	71.63
14	PingAn Bank Co., Ltd.	7,400	2014-05-16	2014-07-15	4.00%		3.55
15	China Construction Bank Co., Ltd.	1,000	2014-05-22	2014-06-23	4.05%	1,000	
16	Bank of Communications Company Limited	21,500	2014-05-30	2014-07-02	4.00%		
17	Shanghai Pudong Development Bank Co., Ltd.	9,600	2014-06-04	2014-07-04	4.50%		
18	Shanghai Pudong Development Bank Co., Ltd.	1,000	2014-06-13	2014-07-13	4.50%		
	Total	173,000				133,500	1,044.30

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 seventh session of the Board. The source of the fund is temporarily idle raised proceeds. 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 of the purchase of wealth management products with the temporarily idle raised proceeds, please refer to the Announcement of Nanjing Panda Electronics Company Limited on Use of Temporarily Idle Raised Proceeds to Purchase Bank Wealth Management Products (《南京熊猫电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, 033, 039, 044, Lin. 2014- 001, 002, 003, 010, 012, 014, 017, 018, 023, 029, 033, 035, 038, 040, 046) published in China Securities Journal and Shanghai Securities News on 4 January 2014, 9 January 2014, 10 January 2014, 13 February 2014, 14 February 2014, 4 March 2014, 13 March 2014, 19 March 2014, 4 April 2014, 25 April 2014, 17 May 2014, 27 May 2014, 31 May 2014, 6 June 2014 and 17 June 2014 and the announcements published on the website of the Hong Kong Stock Exchange on 3 January 2014, 8 January 2014, 9 January 2014, 12 February 2014, 13 February 2014, 4 March 2014, 12 March 2014, 18 March 2014, 3 April 2014, 24 April 2014, 16 May 2014, 26 May 2014, 30 May 2014, 5 June 2014, 16 June 2014.

As at 30 June 2014, apart from the wealth management products undue as at the end of the Reporting Period of the Company, the raised proceeds used for purchase of principal-guaranteed wealth management products in the Period and the earnings obtained therefrom had been recovered as scheduled. For the said undue wealth management products (numbered with 14, 16, 17 and 18 in sequence), the principal and earnings have been recovered as scheduled on the due dates.

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

3. Use of raised proceeds

For details of the use of the raised proceeds please see the "Specific Report on the Deposit and the Actual use of Proceeds Raised by Nanjing Panda Electronics Company Limited" (《南京熊猫电子股份有限公司募集资金存放与使用情况的专项报告》) (Lin. 2014-066) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 16 August 2014 and the announcement published on the website of Hong Kong Stock Exchange on 15 August 2014.

4. Analysis of major subsidiaries and investee companies

(1) Information of Subsidiaries

As at 30 June 2014 and for the first half of 2014, the information of the Company's major subsidiaries is set out below:

Unit: RMB'000

Names of subsidiaries	Principal products or services	Registered			Operating	
		capital	Total assets	Net assets	income	Net profit
Electronics Equipment Company	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories	19,000	41,546.04	24,433.73	25,211.65	1,089.77
Information Industry Company	Development, production and sale of electronic information products	USD3,194.64	64,596.20	24,977.55	27,640.14	815.75
Electronic Manufacture Company	Development and production of new models of electronic products	USD2,000	40,610.27	27,377.51	20,747.50	812.47
Communications Technology Company	Development and manufacture of mobile communication, digital communication and network communication systems and products	10,000	15,583.20	10,728.72	8,506.95	72.45
Nanjing Panda Xinxing Industrial Co., Ltd	Property management and sales of mechanical products, electronic products, construction materials and office supplies	2,000	4,692.57	2,490.45	3,201.65	58.54
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Plastic products and accessories	6,000	29,428.47	10,483.24	24,617.11	287.05
Nanjing Panda Mechanical Manufacturing Co., Ltd.	Metal components and stamping parts	1,000	9,623.42	3,695.45	7,877.53	203.86
Electromechanical Instruments Technology Company	Research and development, manufacturing and sales of logistic supporting equipment and automatic fare collection equipment	1,000	6,536.65	1,833.80	2,956.50	336.06
Technology Development Company	Manufacturing of general purpose equipment, software development, and property management	64,500	71,193.16	66,538.03	—	1,949.74
Galant Limited	R&D of communications products	HKD0.0001	7,609.37	1,817.31	—	-5.02

(2) Information of investee companies

In the first half of 2014, the information of the Company's major investee companies is set out below:

Unit: RMB'000

Name of investee company	Operating revenue	Net profit	Shareholding held by the Company	Investment income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	561,448.94	8,079.12	27%	2,181.36
Beijing SE Putian Mobile Communication Co., Ltd.	1,495,026.50	22,773.48	20%	4,554.70
Shenzhen Jingwah	40,493.34	2,994.41	38.03%	1,138.78

Note: The Company intended to purchase 5,834,430 shares (accounting for 5.07% of its total share capital) of Shenzhen Jingwah which were listed for transfer by PEGL; upon the completion of the transaction, the Company will hold 43.10% equity interests in Shenzhen Jingwah and will account for the majority in the board of directors of Shenzhen Jingwah after its reelection. The accounts of Shenzhen Jingwah will be consolidated in the consolidated statements of the Group. 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 16 July 2014.

II. Plan for Profit Distribution or Capitalization of Capital Reserve

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

Pursuant to the Company's profit distribution plan for 2013 which was considered and approved at the twelfth meeting of the seventh session of the Board and the 2013 annual general meeting of the Company, a cash dividend of RMB0.66 (tax inclusive) for every 10 shares was paid to all shareholders of the Company on the basis of a total share capital of 913,838,529 shares as at 31 December 2013, with the total cash dividend distributed amounting to RMB60,313,300, and the remaining portion was to be carried forward to next year. The Company would not make any capitalization of capital reserve. 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 29 March 2014, 29 May 2014 and 13 June 2014, respectively, and on the website of the Hong Kong Stock Exchange on 30 March 2014 and 28 May 2014 and 12 June 2014, respectively.

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

The Company will not make any profit distribution or to convert any capital reserve into share capital for the first half of 2014.

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 2014, the Company's gearing ratio (the ratio of total liabilities to total assets) was 25.40%; current liabilities amounted to RMB1,074 million; liquidity ratio was 2.58; quick ratio was 2.36; bank deposits and cash amounted to RMB766 million; and short-term bank loans amounted to RMB100 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 2014.

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

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.

5. 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.

6. 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").

7. 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.

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 2013 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

(I) Matters of asset acquisition and disposal and business combination disclosed in interim announcements with no progress or change in the follow-up implementation

On 15 July 2014, the Company held the 14th meeting of the seventh session of the Board, at which the acquisition of the 5,834,430 shares of Shenzhen Jingwah (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash was considered and approved; upon completion of the transaction, the Company would directly hold 43.10% equity interests in Shenzhen Jingwah, and hold the major representation in the board of directors of Shenzhen Jingwah after reelection and the accounts of Shenzhen Jingwah will be consolidated in the consolidated statements. For details please see the relevant announcements published in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 16 July 2014.

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 no progress or change in the follow-up implementation

- (1) Connected transaction of acquisition of 5,834,430 shares of Shenzhen Jingwah (representing 5.07% of its total share capital) held by PEGL

On 15 July 2014, the Company held the 14th meeting of the seven session of the Board, at which the connected transaction in relation to the acquisition of the 5,834,430 shares of Shenzhen Jingwah (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash was considered and approved. For details please see the relevant announcements published in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 16 July 2014.

- (2) Connected transaction of acquisition of 30% equity interests in Electromechanical Instruments Technology Company held by natural person shareholders

Information Industry Company, a controlling subsidiary of the Company entered into the Equity Transfer Agreement with 12 natural persons including Mr. Guo Qing, Mr. Qin Zhu and Mr. Mo Jiye on 9 April 2014, pursuant to which Information Industry Company will acquire 30% equity interests in Electromechanical Instruments Technology Company held by such natural person shareholders. The 30% equity interests in Electromechanical Instruments Technology Company of the transfer included 9.81% equity interests held by Mr. Guo Qing, a Vice General Manager of the Company, thus the transaction constitutes a connected transaction of the Company. For details please see the Announcement on Connected Transaction of Nanjing Panda Electronics Company Limited (Lin.2014-024) (《南京熊猫电子股份有限公司关联交易公告》(臨2014-024)) published in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange on 10 April 2014 and the announcement published on the Hong Kong Stock Exchange on 9 April 2014.

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

On 21 January 2014, the Board of the Company held an extraordinary meeting of the seventh session of the Board by way of written resolutions, where it approved the supplemental agreement to the Financial Services Agreement entered into between the Company and Financial Company, pursuant to which it was agreed that the cap for the integrated credit balance to be provided by Financial Company to the Company increased to RMB600 million and the cap for the fund settlement balance with Financial Company increased to RMB500 million, and the Board or senior management of the Company was authorized to execute such supplemental agreement. This transaction was conducted on the principle of openness, fairness and justice and in compliance with relevant state and industry regulations, without prejudice to the interest of the Company and minority shareholders of the Company. The Company formulated an emergency risk management plan for the deposits in the Financial Company, so as to ensure the safety and liquidity of funds. The Supervisory Committee and independent non-executive Directors approved the connected transaction between the Company and Financial Company, and considered that it was in the interest of the Company and all the shareholders. The sponsor institutions had given positive inspection opinions. On 12 March 2014, the above connected transaction was approved by the independent shareholders at the 2014 first extraordinary general meeting of the Company. Please refer to relevant announcements published on Shanghai Securities News, China Securities Journal and the website of the Shanghai Stock Exchange on 22 January 2014 and 13 March 2014, relevant announcements published on the website of Hong Kong Stock Exchange on 21 January 2014 and 13 March 2014, and the circular dispatched on 25 February 2014.

As at 30 June 2014, the balance of the Company's loans from Financial Company was RMB0 and the balance of its deposits with Financial Company was RMB95,447,300. As at 15 August 2014, the balance of the Company's loans from Financial Company was RMB0 and the balance of its deposits with Financial Company was RMB134,420,000.

3. Matters not disclosed in interim announcements

During the reporting period, the continuing connected transactions conducted between the Group, NEIC Group, CEC Group (including Financial Company) (the continuing connected transactions which were conducted in the usual course of business and on normal commercial terms) were considered and approved at the extraordinary meeting of the seventh session of the Board of the Company and were approved by independent shareholders at the second extraordinary general meeting of 2012 and the first extraordinary general meeting of 2014, the procedures of which were in compliance with relevant requirements. All connected transactions were confirmed by the independent non-executive directors of the Company and had not exceeded their respective annual caps.

These continuing connected transactions can provide the Group with a stable source of income and reliable supply of high-quality services, materials, components and parts, which is conducive to the stability of the Group's production and operation. In addition, all of these continuing connected transactions were conducted on normal commercial terms and were fair and reasonable with justice pricing and had performed approval procedures in accordance with relevant requirements and were in the benefit of the Company and the shareholders as a whole.

For details of the continuing connected transactions between the Group, NEIC Group and CEC Group (including Financial Company) please refer to c) Transactions with related parties in Note X to the financial statements of 2014 interim financial reports of the Company.

(II) Connected transactions in respect of asset acquisition or disposal

On 15 July 2014, the Company held the 14th meeting of the seven session of the Board, at which the connected transaction in relation to the acquisition of the 5,834,430 shares of Shenzhen Jingwah (representing 5.07% of its total share capital) listed for open bidding by PEGL by way of cash was considered and approved. For details please see the relevant announcements published in China Securities Journal and Shanghai Securities News and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 16 July 2014.

(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 the transaction	Closing balance	Opening balance	Amount of the transaction	Closing balance
Nanjing Electronics (Kunshan) Co. Ltd.	279.94		279.94	30.00		30.00
CEC				3,400.00		3,400.00
PEGL				1,334.17		1,243.10
Nanjing Thales Panda Transportation System Company Limited				86.03		86.03
Nanjing Ericsson Panda Communication Co., Ltd.				53.92		53.69
Nanjing Zhongdian Panda Property Management Co., Ltd.				23.90	201.35	225.25
Nanjing China Electronics Panda Liquid Crystal Display Technology Co., LTD				7.24		
Nanjing Panda Electronics Transportation Company Panda (Beijing) International Information Technology Co., Ltd.				4.64	50.59	55.23
NEIC				4.36		4.56
Nanjing Panda Electronic Technology Development Company Limited				2.58		2.58
Nanjing Panda DaSheng Electronics Technology Co., Ltd.				0.02		0.02
CEC Panda Liquid Crystal Material Technology Co., Ltd.					60.84	60.84
Nanjing Panda Electronics Import/Export Co., Ltd.					14.03	14.03
Shanghai Panda Huning Electronic Technology Co., Ltd.					10.88	10.88
Nanjing 21st Century Electronic and Technology Square Co., Ltd.					5.40	5.40
China National Electronics Import/Export Corporation					0.10	0.10
Nanjing Electronic Calibration Co., Ltd.					0.09	0.09
The amount of funds provided by the Company to the controlling shareholder and its subsidiaries during the Reporting Period (RMB)						0
Balance of funds provided by the Company to the controlling shareholders and its subsidiaries (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	62,000
Total balance of the amount of guarantees provided to subsidiaries at the end of the Reporting Period (B)	14,947.62

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

Total amount of guarantees (A+B)	14,947.62
Percentage of total guarantee amount in the audited net assets of the Company (%)	4.79
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)	0
Amount of total guarantees in excess of 50% of net assets value (E)	0
Total amount of the above three items (C+D+E)	0

Balance of the said guarantees amount to RMB149,476,200, representing 4.79% of the latest audited net assets of the Company, are provided by the Company to its subsidiaries. The gearing ratios of the above subsidiaries receiving guarantees are below 70%. 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 2014 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.
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.
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.

For the contents, dates and terms of the above commitment please refer to the paragraphs headed "VIII. Commitments" under "Section VI Significant Events" of the 2013 Annual Report of Nanjing Panda Electronics Company Limited which was published on the website of the Shanghai Stock Exchange on 29 March 2014 and the 2013 Annual Report published on the website of the Hong Kong Stock Exchange on 29 April 2014.

4. In the material asset reorganization constituted by the Company's acquisition of the 5,834,430 shares (representing 5.07% of the total share capital) of Shenzhen Jingwah held by PEGL, PEGL, the controlling shareholder of the Company (as the transaction counterparty) undertook that: "in the process of participation of the material asset reorganization of Nanjing Panda Electronics Company Limited, we warrant the truthfulness, accuracy and completeness of relevant documents, materials and other information provided, and that such information does not contain any false representations, misleading statements or material omissions, and accept joint and several responsibility thereof."

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 2014. Their remunerations would be determined within the limit of RMB1,700,000.

For details, please refer to the Announcement of Resolutions Passed at the 12th Meeting of the Seventh Board of Directors of Nanjing Panda Electronics Company Limited (Lin 2014-020) and the Announcement of Resolutions Passed at the 2013 Annual General Meeting of Nanjing Panda Electronics Company Limited (Lin 2013-037) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 29 March 2014 and 29 May 2014, respectively, and the announcements published on the website of Hong Kong Stock Exchange on 28 March 2014 and 28 May 2014.

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. In addition, the Company also conducted special investigation on the commitments by the ultimate controller, shareholders, related parties and companies.

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 2014 to review the Company's 2013 financial report and the summary report on the 2013 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 2014 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 2014, 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

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 31 December 2013, the Guanghua Road office of the district government of Qinhuai District, Nanjing entered into a relocation agreement with the Company on the relocation of the Company's plant situated at No. 1-2 Youyihe Road, Qinhuai District, Nanjing. Pursuant to relevant valuation, the Guanghua Road office of the district government of Qinhuai District, Nanjing (or its designated unit) shall pay the Company a relocation compensation of RMB31.41 million by installments 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. As at 30 June 2014, the said relocation resulted in an increase of RMB11,677,600 in the non-recurring profit and loss of the Company.

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	256,823,529	28.32				-219,607,843	-219,607,843	39,215,686	4.29
1. State-owned shares									
2. State-owned legal person shares	115,415,686	12.63				-76,200,000	-76,200,000	39,215,686	4.29
3. Other domestically owned shares	143,407,843	15.69				-143,407,843	-143,407,843	0	
Including:									
Domestic non-state owned legal person shares	143,407,843	15.69				-143,407,843	-143,407,843	0	
II. Shares not subject to trading moratorium	655,015,000	71.68				219,607,843	219,607,843	874,622,843	95.71
1. RMB ordinary shares	413,015,000	45.20				219,607,843	219,607,843	632,622,843	69.23
2. Overseas listed foreign shares	242,000,000	26.48						242,000,000	26.48
III. Total number of shares	913,838,529	100						913,838,529	100

2. Explanation of changes in shareholdings

On 30 June 2014, the trading moratorium of 219,607,843 shares subscribed by 8 investors apart from NEIC (of which Aegon-Industrial Fund Management Co., Ltd. participated in the subscription through 10 accounts) was released and such shares were listed for trading. For details please refer to the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Lin 2014-049) (《南京熊猫电子股份有限公司非公开发行限售股上市流通公告》(臨2014-049)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 25 June 2014 and the announcement published on the website of Hong Kong Stock Exchange on 15 August 2014.

(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	0	0		2014-6-30
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	0	0		2014-6-30
Jiangsu GTIG Huading Investment Co., Ltd.*(江蘇國泰華鼎投資有限公司)	35,000,000	35,000,000	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
Tibet Autonomous Region Investment Co., Ltd.*(西藏自治區投資有限公司)	25,000,000	25,000,000	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30

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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
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	0	0		2014-6-30
NEIC	39,215,686	0		39,215,686	Subscription of shares	2016-6-28
Total	<u>258,823,529</u>	<u>219,607,843</u>		<u>39,215,686</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 18,306 shareholders including 18,261 A shareholders and 45 H shareholders

(ii) Details of the top ten shareholders

Unit: shares

Details of the top ten shareholders of the Company as at 30 June 2014 are set out as follows:

Shareholdings of top ten shareholders

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
PEGL		334,715,000	36.63	0	167,350,000	State-owned legal person
HKSCC (Nominees) Limited	170,000	241,057,299	26.38	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	5.58	0	Unknown	Domestic non-state-owned legal person
NEIC		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	3.83	0	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	3.28	0	Unknown	Other
Beijing Infrastructure Investment Co., Ltd* (北京市基礎設施投資有限公司)		26,000,000	2.85	0	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	2.76	0	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	2.74	0	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	1.07	0	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
PEGL	334,715,000	A
HKSCC (Nominees) Limited	241,057,299	H
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	A
Jiangsu GTIG Huading Investment Co., Ltd.* (江蘇國泰華鼎投資有限公司)	35,000,000	A
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	A
Beijing Infrastructure Investment Co., Ltd* (北京市基礎設施投資有限公司)	26,000,000	A
South Industry Assets Management Co., Ltd*(南方工業資產管理有限責任公司)	25,200,000	A
Tibet Autonomous Region Investment Co., Ltd.*(西藏自治區投資有限公司)	25,000,000	A
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	A
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	A

* For identification purposes only

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

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. There is no connected relationship or party acting in concert among PEGL and other shareholders. The Company is not aware of any connected relationship or party acting in concert among other shareholders.

Notes:

- (1) 167,350,000 shares held by PEGL were pledged on 28 November 2011. As for the pledged shares, PEGL carried out the registration procedures for the release of pledge on 9 January 2014. On 22 January 2014, 167,350,000 shares held by PEGL were pledged. 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, 10 January 2014 and 23 January 2014 and on the website of Hong Kong Stock Exchange on 30 November 2011, 10 January 2014 and 22 January 2014.
- (2) Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership)(南京瑞森投資管理合夥企業(有限合夥)) pledged 51,000,000 shares subject to trading moratorium held by it in the Company to China National Investment and Guaranty Co., Ltd. (中國投資融資擔保有限公司) and completed registration procedures for the pledge of shares on 4 December 2013. As for the pledged shares, Nanjing Ruisen Investment Management Partnership Enterprise (Limited Partnership) carried out the registration procedures for the release of pledge on 10 June 2014. 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 5 December 2013 and 17 June 2014 and on the website of Hong Kong Stock Exchange on 4 December 2013 and 16 June 2014.
- (3) HKSCC (Nominees) Limited held 241,057,299 H shares of the Company, representing 26.38% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.
- (4) Reference is made to the Announcement on Listing and Trading of Shares Subject to Trading Moratorium Issued by Non-public Issue of Nanjing Panda Electronics Company Limited (Ln 2014-049) (《南京熊猫電子股份有限公司非公開發行限售股上市流通公告》(臨2014-049)) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 25 June 2014 and the announcement published on the website of Hong Kong Stock Exchange on 24 June 2014. On 30 June 2014, the trading moratorium of 219,607,843 shares subject to trading by 8 investors apart from NEIC (of which Aegon-Industrial Fund Management Co., Ltd. participated in the subscription through 10 accounts) was released and such shares were listed for trading. Therefore, as at the date of disclosure of this report, there have been changes in the shareholdings of the top ten shareholders after 30 June 2014.

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	Number of shares held subject to trading moratorium	Particulars of shares subject to trading moratorium to be listed		Conditions of trading moratorium
			Time for listing and trading	Number of additional shares to be listed and traded	
1	NEIC	39,215,686	2016-6-28	39,215,686	It may not be transferred within 36 months from the completion date of the issue.

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 2014, 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) Tang Hanbo (唐漢博) held 22,586,000 H Shares, accounting for approximately 9.33% of H Shares in issue and approximately 2.47% 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) 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. (4) 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 2014.

VII RELEVANT INFORMATION ON PREFERRED SHARES

During the Reporting Period, the Company had no relevant matters of preferred shares.

VIII 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	—	
Xia Dechuan	Non-executive Director, General Manager	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 Yinqian	Chairman of the Supervisory Committee	0	0	—	
Fu Yuanyuan	Supervisor representing employee	0	0	—	
Zhou Yuxin	Supervisor representing employee	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	—	
Total		4,185	4,185	—	

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: N/A

IX FINANCIAL STATEMENTS

I. 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 2014

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Turnover	4	1,151,055	919,163
Cost of sales		(1,017,672)	(794,327)
Gross profit		133,383	124,836
Other income and net losses	5	32,165	14,197
Distribution costs		(17,364)	(20,273)
Administrative expenses		(149,290)	(137,525)
Operating loss		(1,106)	(18,765)
Finance income/(costs), net		13,639	(13,246)
Share of profits of associates		78,748	112,037
Profit before taxation	6	91,281	80,026
Income tax (expense)/credit	7	(5,270)	4,586
Profit and total comprehensive income for the period		86,011	84,612
Attributable to:			
Equity holders of the Company		85,116	83,757
Non-controlling interests		895	855
		86,011	84,612
Earnings per share (RMB cents)			
— Basic and diluted	8	9.31	12.65

Condensed consolidated balance sheet

As at 30 June 2014

(Expressed in Renminbi)

		30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
ASSETS			
Non-current assets			
Land use rights		73,231	74,046
Property, plant and equipment	10	807,073	748,742
Associates		568,076	502,457
Available-for-sale equity securities		3,650	3,650
Deferred tax assets		399	406
		1,452,429	1,329,301
Current assets			
Inventories		240,462	199,614
Trade and bills receivables	11	876,907	754,728
Amounts due from customers for contract work		159,354	172,314
Deposits, prepayments and other receivables		336,630	302,277
Other financial assets	12	395,000	—
Restricted bank deposits	13	76,356	70,846
Cash and cash equivalents		689,639	1,308,980
		2,774,348	2,808,759
Total assets		4,226,777	4,138,060
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	913,839	913,839
Share premium and reserves		2,234,516	2,208,860
		3,148,355	3,122,699
Non-controlling interests		4,659	9,527
Total equity		3,153,014	3,132,226

Condensed consolidated balance sheet (Continued)

As at 30 June 2014

(Expressed in Renminbi)

		30 June	31 December
		2014	2013
		(unaudited)	(audited)
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>194</u>	<u>233</u>
Current liabilities			
Bank and other borrowings	15	164,615	160,926
Trade payables	16	605,226	579,860
Accruals and other payables		299,804	258,571
Tax payable		<u>3,924</u>	<u>6,244</u>
		1,073,569	1,005,601
Total liabilities		<u>1,073,763</u>	<u>1,005,834</u>
Total equity and liabilities		<u>4,226,777</u>	<u>4,138,060</u>
Net current assets		<u>1,700,779</u>	<u>1,803,158</u>
Total assets less current liabilities		<u>3,153,208</u>	<u>3,132,459</u>

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2014

(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 2014 (audited)	913,839	1,424,918	(8,559)	233,657	1,874	556,970	3,122,699	9,527	3,132,226
Acquisition of additional interests in a subsidiary	—	—	1,754	—	—	—	1,754	(5,763)	(4,009)
Deregistration of a subsidiary	—	—	(901)	—	—	—	(901)	—	(901)
Profit and total comprehensive income for the period	—	—	—	—	—	85,116	85,116	895	86,011
Dividend approved in respect of 2013 (note 9)	—	—	—	—	—	(60,313)	(60,313)	—	(60,313)
As at 30 June 2014 (unaudited)	<u>913,839</u>	<u>1,424,918</u>	<u>(7,706)</u>	<u>233,657</u>	<u>1,874</u>	<u>581,773</u>	<u>3,148,355</u>	<u>4,659</u>	<u>3,153,014</u>
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 14)	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)	<u>913,839</u>	<u>1,424,918</u>	<u>(8,559)</u>	<u>222,451</u>	<u>35,688</u>	<u>435,279</u>	<u>3,023,616</u>	<u>8,391</u>	<u>3,032,007</u>

Condensed consolidated cash flow statement

For the six months ended 30 June 2014

(Expressed in Renminbi)

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(13,081)	574
Investing activities		
Purchases of property, plant and equipment	(118,231)	(99,832)
Proceeds from disposals of property, plant and equipment	51	735
Acquisition of additional interests in a subsidiary	(3,807)	—
Increase in other financial assets	(395,000)	—
(Increase)/decrease in net amounts due with fellow subsidiaries and associates	(72,973)	16,755
Interest received	15,292	3,512
Dividends received from associates	13,129	10,000
Net cash used in investing activities	(561,539)	(68,830)
Financing activities		
Proceeds from issue of new A shares	—	1,294,404
Proceeds from borrowings	164,615	624,351
Repayments of borrowings	(160,926)	(637,335)
Repayments to intermediate holding company	(35)	—
Advances from/(repayments to) immediate holding company	17,628	(1,702)
(Increase)/decrease in restricted bank deposits	(5,510)	123,559
Dividends paid to non-controlling shareholders of a subsidiary	—	(1,365)
Dividends paid to equity holders of the Company	(60,313)	(39,301)
Net cash (used in)/generated from financing activities	(44,541)	1,362,611
Net (decrease)/increase in cash and cash equivalents	(619,161)	1,294,355
Cash and cash equivalents at the beginning of the period	1,308,980	378,040
Effect of foreign exchange rate changes	(180)	(103)
Cash and cash equivalents at the end of the period	689,639	1,672,292

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 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 and ultimate holding company of the Company to be Panda Electronics Group Limited ("PEGL") and China Electronic Corporation ("CEC"), respectively. 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 Stock Exchange of Hong Kong Limited.

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 2013, 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 2014. 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 2013 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 to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- HK (IFRIC) – Interpretation 21, Levies

3. Application of new and revised HKFRSs (Continued)

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

Up to the date of issue of this interim financial information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2014 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
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKAS 16 and HKAS 38, Classification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	To be determined

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

4. Revenue and segmental information

The Group determines its operating segments based on the internal financial information reviewed by the board of directors of the Company that are used to make strategic decisions. For the six months ended 30 June 2014, the Group has the following 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

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, other financial assets 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 2014:

Six months ended 30 June 2014

	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	653,401	26,270	447,511	23,873	—	1,151,055
Internal sales	70,472	1,814	3,430	21,287	(97,003)	—
Total	723,873	28,084	450,941	45,160	(97,003)	1,151,055
Results						
Segment results	65,455	(7,028)	14,180	(238)	(23,169)	49,200
Unallocated corporate expenses						(50,306)
Interest income						15,292
Interest expense						(1,653)
Share of profits of associates						78,748
Income tax expense						(5,270)
Profit for the period						86,011

At 30 June 2014

	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	2,050,681	208,503	700,388	162,851	(635,647)	2,486,776
Associates						568,076
Available-for-sale equity securities						3,650
Other financial assets						395,000
Unallocated corporate assets						773,275
Consolidated total assets						4,226,777
Liabilities						
Segment liabilities	769,898	74,177	321,780	106,997	(334,122)	938,730
Unallocated corporate liabilities						135,033
Consolidated total liabilities						1,073,763

4. Revenue and segmental information (Continued)

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						<u>4,586</u>
Profit for the period						<u>84,612</u>

At 31 December 2013

	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	1,827,423	237,119	626,208	154,894	(609,510)	2,236,134
Associates						502,457
Available-for-sale equity securities						3,650
Unallocated corporate assets						<u>1,395,819</u>
Consolidated total assets						<u>4,138,060</u>
Liabilities						
Segment liabilities	797,670	88,136	258,596	99,828	(338,908)	905,322
Unallocated corporate liabilities						<u>100,512</u>
Consolidated total liabilities						<u>1,005,834</u>

5. **Other income and net losses**

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	<i>RMB'000</i>
Other income		
Rental and property management fee income	1,802	2,792
Government grants	26,003	12,216
Gain on deregistration of a subsidiary	4,535	—
Sundry income	195	490
	32,535	15,498
Other net losses		
Exchange (losses)/gains	(365)	15
Loss on disposals of property, plant and equipment	(5)	(1,316)
	(370)	(1,301)
	32,165	14,197

6. **Profit before taxation**

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	<i>RMB'000</i>
Depreciation of property, plant and equipment	24,502	29,407
Amortisation of land use rights	815	946
Write-down of inventories	9,733	3,126
Impairment losses reversed on		
— Trade receivables	(719)	(657)
— Other receivables	(150)	(254)

7. Income tax expense/(credit)

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
– PRC enterprise income tax	2,677	1,322
– Under/(over)-provision in prior year	2,625	(5,879)
	<u>5,302</u>	<u>(4,557)</u>
Deferred tax		
– attributable to the origination and reversal of temporary differences	(32)	(29)
	<u>5,270</u>	<u>(4,586)</u>

PRC enterprise income tax is charged at the statutory rate of 25% (six months ended 30 June 2013: 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 2013: 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 2014 of RMB85,116,000 (six months ended 30 June 2013: RMB83,757,000) and the weighted average number of 913,839,000 (six months ended 30 June 2013: 662,205,000) shares in issue throughout the period.

The diluted earnings per share for the six months ended 30 June 2014 and 2013 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 2014 and 2013.

9. Dividends

Final dividend of RMB66 cents per ten shares (year ended 31 December 2012: RMB60 cents per ten shares) in respect of the year ended 31 December 2013 was approved on 28 March 2014.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: RMBnil).

10. Movements in property, plant and equipment

During the period, the Group's additions of property, plant and equipment amounted to RMB83,055,000 (six months ended 30 June 2013: RMB71,860,000).

In addition, the Group disposed of certain property, plant and equipment with carrying value of RMB222,000 (six months ended 30 June 2013: RMB4,450,000) for proceeds of RMB217,000 (six months ended 30 June 2013: RMB3,134,000).

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 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Within 1 year	754,439	674,210
1 to 2 years	73,043	64,358
2 to 3 years	48,372	15,859
Over 3 years	1,053	301
	<u>876,907</u>	<u>754,728</u>

12. Other financial assets

At 30 June 2014, other financial assets of RMB395,000,000 (31 December 2013: RMBnil) represented short-term wealth management products managed by banks in the PRC which undertake return of principal and income yield of 4% - 4.5% per annum upon maturity.

13. Restricted bank deposits

The restricted bank deposits are pledged as security for:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Bills payables	26,531	28,814
Performance bonds given by banks to customers in respect of projects undertaken	49,825	42,032
	<u>76,356</u>	<u>70,846</u>

14. Share capital

	30 June 2014 (unaudited)		31 December 2013 (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	671,839	671,839
— H Shares of RMB1.00 each	242,000	242,000	242,000	242,000
	<u>913,839</u>	<u>913,839</u>	<u>913,839</u>	<u>913,839</u>

15. **Bank and other borrowings**

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Short term bank loans	100,000	94,000
Other short term loans	—	5,000
Bills payables, secured	64,615	61,926
	164,615	160,926

At 30 June 2014 and 31 December 2013, bills payables were secured by restricted bank deposits (see note 13).

At 31 December 2013, short term bank loans amounting to RMB50,000,000 were secured by corporate guarantees from the immediate holding company, and bills payables were also secured by corporate guarantees from an intermediate holding company to the extent of RMB1,333,000.

Other short term loans represented the loans borrowed from a fellow subsidiary of the company, being a financial institution in the PRC.

16. **Trade payables**

The following is an ageing analysis of trade payables:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Within 1 year	485,308	484,491
1 to 2 years	61,403	42,019
2 to 3 years	12,067	6,407
Over 3 years	46,448	46,943
	605,226	579,860

17. **Contingent liabilities**

The Group had the following contingent liabilities:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	49,825	42,032

18. Capital commitments

At 30 June 2014, outstanding capital commitments not provided for in the financial statements are as follows:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Contracted for		
— Property, plant and equipment	106,743	123,006

19. Related party transactions

(a) Transactions with key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Salaries and other allowance	703	613
Retirement benefit scheme contributions	115	98
	818	711

(b) Transactions with other related parties

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

	The intermediate holding company		The immediate holding company		Fellow subsidiaries		Associates	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
Sales of components and parts	—	—	1,589	—	340,981	134,802	7,302	—
Purchases of components and parts	—	—	340	—	73,122	11,153	—	—
Fees paid for welfare, support and sub-contracting services	—	—	191	377	6,108	3,522	—	—
Income for welfare, support and sub-contracting services	88	—	4,096	3,153	16,590	4,146	350	13,430
Rental income	—	—	—	—	680	507	—	—
Rental expenses	—	—	39	84	—	—	—	—
Interest income	—	—	—	—	505	84	—	—
Interest expenses	—	—	—	—	245	2,014	—	—

19. Related party transactions (Continued)

(b) Transactions with other related parties (Continued)

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

	The ultimate holding company		The intermediate holding company		The immediate holding company		Fellow subsidiaries		Associates	
	31		31		31		31		31	
	30 June 2014	December 2013	30 June 2014	December 2013	30 June 2014	December 2013	30 June 2014	December 2013	30 June 2014	December 2013
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	-	-	-	9	4,565	21,634	245,716	158,347	5,815	1,841
Deposits, prepayments and other receivables	-	-	-	-	-	-	2,074	2,056	-	-
Trade payables	-	-	-	-	(2,168)	(3,678)	(50,702)	(37,136)	(117)	(95)
Accruals and other payables	(34,000)	(34,000)	-	(44)	(15,411)	(13,342)	(19,889)	(15,187)	(1,687)	(1,698)
Net balance	(34,000)	(34,000)	-	(35)	(13,014)	4,614	177,099	108,080	4,001	47

At 30 June 2014, the Group placed deposits of RMB95,447,000 (31 December 2013: RMB197,899,000) with and borrowed short term loans of RMBnil (31 December 2013: RMB5,000,000) from a fellow subsidiary of the Company, being a financial institution in the PRC.

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

There were no material differences between the condensed consolidated statements of comprehensive income for the six months ended 30 June 2014 and 2013, and condensed consolidated balance sheets of the Group as at 30 June 2014 and 31 December 2013 prepared under HKFRSs and PRC Accounting Standards for Business Enterprises.

21. Subsequent event

On 14 July 2014, the Company entered into an equity transfer agreement with its immediate holding company, PEGL, to acquire an additional 5.07% equity interest in Shenzhen Jingwah Electronics Co., Ltd. ("Shenzhen Jingwah") from PEGL at a cash consideration of RMB50,365,830.

Upon completion of the equity transfer agreement, the Company's equity interest in Shenzhen Jingwah will be increased from 38.03% to 43.10% and the Company will be able to control a majority of the board of the directors of Shenzhen Jingwah. Accordingly, Shenzhen Jingwah, currently an associate of the Company, will be regarded as a subsidiary. The acquisition of the additional 5.07% equity interest in Shenzhen Jingwah is subject to the approval of the shareholders in the Company's extraordinary general meeting.

Further details of the acquisition are set out in the Company's announcement dated 15 July 2014.

II Interim Financial Statements (prepared in accordance with the PRC Accounting Standards for Business Enterprises) (unaudited)

Consolidated balance sheet

30 June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	765,994,528.23	1,379,826,018.92
Settlement provisions	—	—
Placement with banks and other financial institutions	—	—
Trading financial assets	395,000,000.00	—
Bills receivable	86,555,829.81	120,212,031.70
Trade receivable	790,351,082.58	634,516,143.74
Prepayments	182,195,936.48	130,692,769.39
Premiums receivable	—	—
Reinsurance receivable	—	—
Reinsurance contract reserve	—	—
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	154,434,227.71	171,584,362.93
Financial assets purchased for resale	—	—
Inventories	399,815,578.25	371,927,901.19
Non-current assets due within one year	—	—
Other current assets	—	—
	<hr/>	<hr/>
Total current assets	2,774,347,183.06	2,808,759,227.87
	<hr/> <hr/>	<hr/> <hr/>
Non-current assets:		
Entrusted loans and advances	—	—
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	571,725,677.10	506,106,542.54
Investment properties	—	—
Fixed assets	507,483,928.59	527,703,998.21
Construction in progress	296,677,461.61	218,171,100.84
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Fuel assets	—	—
Intangible assets	76,142,608.55	76,912,100.52
Development expenses	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	398,833.48	406,544.54
Other non-current assets	—	—
	<hr/>	<hr/>
Total non-current assets	1,452,428,509.33	1,329,300,286.65
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Total assets	4,226,775,692.39	4,138,059,514.52
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Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated balance sheet (continued)**30 June 2014**

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Liabilities and Shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	100,000,000.00	99,000,000.00
Borrowing from People's Bank of China ("PBOC")	—	—
Customer and interbank deposits	—	—
Borrowing from interbank market	—	—
Trading financial liabilities	—	—
Bills payable	64,615,113.64	61,925,836.17
Accounts payable	605,225,514.39	579,860,038.37
Advances from customers	135,380,142.17	98,285,406.79
Financial assets sold under repurchase agreements	—	—
Bank charges and commissions due	—	—
Salaries payable	28,315,152.28	31,873,712.53
Taxes payable	57,806.16	19,941,903.30
Interest payable	116,666.67	83,333.33
Dividend payable	—	—
Other payables	139,857,775.64	114,631,489.47
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	—	—
	<hr/>	<hr/>
Total current liabilities	1,073,568,170.95	1,005,601,719.96
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Consolidated balance sheet (continued)**30 June 2014**

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Liabilities and Shareholders' equity	Closing balance	Opening balance
Non-current liabilities:		
Long-term loans	—	—
Bonds payables	—	—
Long-term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	193,941.52	233,201.14
Other non-current liabilities	—	—
	193,941.52	233,201.14
Total non-current liabilities	193,941.52	233,201.14
	1,073,762,112.47	1,005,834,921.10
Total liabilities	1,073,762,112.47	1,005,834,921.10
Shareholders' equity:		
Share capital	913,838,529.00	913,838,529.00
Capital reserve	1,502,820,187.67	1,501,966,314.34
Less: treasury stock	—	—
Special reserve	—	—
Surplus reserve	231,946,025.16	231,946,025.16
General risk reserve	—	—
Undistributed profits	499,750,238.08	474,947,172.20
Discounted spread in foreign currency statement	—	—
	3,148,354,979.91	3,122,698,040.70
Sub-total of equity attributable to shareholders of the parent company	3,148,354,979.91	3,122,698,040.70
Minority interests	4,658,600.01	9,526,552.72
	3,153,013,579.92	3,132,224,593.42
Total shareholders' equity	3,153,013,579.92	3,132,224,593.42
	4,226,775,692.39	4,138,059,514.52
Total liabilities and shareholders' equity	4,226,775,692.39	4,138,059,514.52

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 2014

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	1,164,508,418.29	929,748,025.66
Include: Operating income	1,164,508,418.29	929,748,025.66
Interest income	—	—
Premiums earned	—	—
Income from Bank charges and Commissions	—	—
2. Total operating cost	1,193,055,419.34	972,939,312.07
Include: Operating cost	1,007,939,132.50	791,201,704.24
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	11,651,615.17	7,793,068.01
Selling expenses	17,363,776.09	20,273,191.38
Administrative expenses	149,825,608.68	138,000,485.42
Financial expenses	-2,588,649.38	13,456,430.82
Loss in assets impairment	8,863,936.28	2,214,432.20
Add: Income from change in fair value (losses are represented by "-")	—	—
Investment income (losses are represented by "-")	93,726,255.11	112,036,504.14
Include: Investment income of associates and joint ventures	78,748,338.16	112,036,504.14
Exchange gain (losses are represented by "-")	—	—
3. Operating profit (losses are represented by "-")	65,179,254.06	68,845,217.73
Add: Non-operating income	26,223,304.83	13,034,612.91
Less: Non-operating expenses	121,375.47	1,853,860.48
Include: Loss from the disposal of non-current assets	—	—
4. Total Profit (losses are represented by "-")	91,281,183.42	80,025,970.16
Less: Income tax	5,269,885.62	-4,586,475.27
5. Net Profit (losses are represented by "-")	86,011,297.80	84,612,445.43
Profit attributable to the owners of the Parent company	85,116,408.79	83,756,905.51
Minority interests	894,889.01	855,539.92
6. Earnings per share:		
(1) Basic earnings per share	0.0931	0.1265
(2) Diluted earnings per share	0.0931	0.1265
7. Other comprehensive income:	—	—
8. Total comprehensive income:	86,011,297.80	84,612,445.43
Total comprehensive income attributable to the owners of the Parent company	85,116,408.79	83,756,905.51
Total comprehensive income attributable to minority shareholders	894,889.01	855,539.92

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated statement of change of shareholders' equity

January-June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Amount for the period									
	Equity attributable to shareholders of the Parent Company									Total shareholders' equity
	Share capital	Capital Reserve	Less: treasury stock	Special Reserve	Surplus Reserve	Generic risk reserve	Undistributed Profits	Other	Minority interests	
1. Balance at the end of last year	913,838,328.00	1,501,966,314.34	-	-	231,946,025.16	-	474,947,172.20	-	9,526,552.72	3,132,224,583.42
Add: change in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of Previous Errors	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of this year	913,838,328.00	1,501,966,314.34	-	-	231,946,025.16	-	474,947,172.20	-	9,526,552.72	3,132,224,583.42
3. Change of this year (a decrease is represented by "-")	-	853,873.33	-	-	-	-	24,803,065.88	-	-4,867,952.71	20,788,986.50
(1) Net profit	-	-	-	-	-	-	85,116,408.79	-	894,888.01	86,011,297.80
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Subtotal of item (1) and (2) above	-	-	-	-	-	-	85,116,408.79	-	894,888.01	86,011,297.80
(3) Contribution and reduction of capital by shareholders	-	1,754,349.40	-	-	-	-	-	-	-5,762,841.72	-4,008,492.32
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	-
2. Amount settled by shares accounted for in shareholders' equity	-	-	-	-	-	-	-	-	-	-
3. Others	-	1,754,349.40	-	-	-	-	-	-	-5,762,841.72	-4,008,492.32
(4) Profit distribution	-	-	-	-	-	-	-60,313,342.91	-	-	-60,313,342.91
1. Transfer from surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Transfer from generic risk reserves	-	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-60,313,342.91	-	-	-60,313,342.91
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	-	-900,476.07	-	-	-	-	-	-	-	-900,476.07
4. Balance at the end of the year	913,838,328.00	1,502,820,187.67	-	-	231,946,025.16	-	499,750,238.08	-	4,658,600.01	3,153,013,573.92

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated statement of change of shareholders' equity (continued)

January-June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

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	665,015,000.00	466,386,130.79	-	-	220,739,998.89	-	342,614,884.56	-	7,535,827.86	1,692,291,842.10
Add: change in accounting policies	-	-	-	-	-	-	-	-	-	-
Merge under common control	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of this year	665,015,000.00	466,386,130.79	-	-	220,739,998.89	-	342,614,884.56	-	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	1,339,715,257.98
(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	-	387,070,880.07	-	8,391,367.78	3,032,007,100.08

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Consolidated cash flow statement

January-June 2014

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	1,206,380,556.65	1,069,211,488.54
Net increase in Customer and interbank deposits	—	—
Net increase in borrowing from PBOC	—	—
Net cash increase in borrowing from other financial institutions	—	—
Cash received from premiums under original insurance contract	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits of policy holders and investment	—	—
Net increase in disposal of trading financial assets	—	—
Cash received from interest, bank charges and commissions	—	—
Net increase in cash borrowed	—	—
Net increase in cash received from repurchase operation	—	—
Refunds of taxes	4,848,198.63	7,682,534.90
Cash received from relating to other operating activities	51,867,464.93	147,947,943.25
Sub-total of cash inflows from operating activities	1,263,096,220.21	1,224,841,966.69
Cash paid on purchase of goods and services received	1,018,895,740.88	988,821,777.47
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	170,022,646.15	173,536,735.80
Cash paid for all types of taxes	62,631,506.52	58,014,010.93
Cash paid relating to other operating activities	76,964,679.45	86,696,863.66
Sub-total of cash outflows from operating activities	1,328,514,573.00	1,307,069,387.86
Net cash flows from operating activities	-65,418,352.79	-82,227,421.17

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	13,129,203.60	10,000,000.00
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	50,800.00	734,647.20
Net cash received from disposal of subsidiaries and other operating entities	—	—
Cash received relating to other investment activities	1,345,443,026.03	—
Sub-total of cash inflows from investing activities	1,358,623,029.63	10,734,647.20
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	118,231,217.60	99,831,870.65
Cash paid for acquisition of investments	3,806,793.86	—
Net increase in secured loans	—	—
Net cash paid on acquisition of subsidiaries and other operating entities	—	—
Cash paid on other investment activities	1,730,000,000.00	—
Sub-total of cash outflows from investing activities	1,852,038,011.46	99,831,870.65
Net cash flows from investing activities	-493,414,981.83	-89,097,223.45

Consolidated cash flow statement (continued)
January-June 2014

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 non-controlling shareholders' investment	—	—
Cash received from borrowings	100,000,000.00	574,000,000.00
Cash received from issuing bonds	—	—
Cash received from other financing activities	—	—
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Sub-total of cash inflows from financing activities	100,000,000.00	1,872,239,997.92
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Cash paid on repayment of borrowings	99,000,000.00	349,000,000.00
Cash paid on distribution of dividends or profits, or interest expenses	61,599,509.57	56,433,400.51
Including: bonus and profit paid to non-controlling shareholders by subsidiaries	—	1,364,696.99
Cash paid on other financing activities	—	1,127,547.13
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Sub-total of cash outflows from financing activities	160,599,509.57	406,560,947.64
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Net cash flows from financing activities	-60,599,509.57	1,465,679,050.28
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4. Effect of fluctuations in exchange rates on cash	-180,104.00	-102,640.07
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5. Net increase in cash and cash equivalents	-619,612,948.19	1,294,251,765.59
Add: balance of cash and cash equivalents at the beginning of the period	1,308,979,790.39	378,040,300.31
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6. Balance of cash and cash equivalents at the end of the year	689,366,842.20	1,672,292,065.90
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Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Balance sheet

30 June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB(Yuan)

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	299,015,573.18	891,431,538.23
Settlement provisions	—	—
Placement with banks and other financial institutions	—	—
Trading financial assets	385,000,000.00	—
Bills receivable	—	—
Trade receivable	95,539,260.31	94,594,511.18
Prepayments	383,453.14	286,167.65
Premiums receivable	—	—
Reinsurance receivable	—	—
Reinsurance contract reserve	—	—
Interest receivable	—	—
Dividends receivable	2,370,310.71	2,739,006.08
Other receivables	273,320,401.30	316,687,175.42
Financial assets purchased for resale	—	—
Inventories	20,089,407.53	21,001,471.06
Non-current assets due within one year	—	—
Other current assets	—	—
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Total current assets	1,075,718,406.17	1,326,739,869.62
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Non-current assets:		
Entrusted loans and advances	—	—
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	1,849,247,477.51	1,592,628,342.95
Investment properties	—	—
Fixed assets	367,897,332.40	376,571,368.45
Construction in progress	13,760,172.92	10,201,958.58
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Fuel assets	—	—
Intangible assets	14,944,431.86	15,354,705.78
Development expenses	—	—
Goodwill	—	—
Deferred income tax assets	—	—
Deferred income tax assets	—	—
Other non-current assets	—	—
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Total non-current assets	2,245,849,414.69	1,994,756,375.76
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Total assets	3,321,567,820.86	3,321,496,245.38
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Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Balance sheet (continued)

30 June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB(Yuan)

Liabilities and Shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	70,000,000.00	50,000,000.00
Borrowing from PBOC	—	—
Customer and interbank deposits	—	—
Borrowing from interbank market	—	—
Trading financial liabilities	—	—
Bills payable	13,994,292.41	2,666,030.70
Accounts payable	34,524,715.26	47,512,430.34
Advances from customers	19,050.00	1,123,445.00
Financial assets sold under repurchase agreements	—	—
Bank charges and Commissions due	—	—
Salaries payable	14,737,686.54	11,502,565.88
Taxes payable	7,370,120.18	5,131,881.72
Interest payable	116,666.67	83,333.33
Dividend Payable	—	—
Other payables	324,320,251.34	316,898,925.53
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	465,082,782.40	434,918,612.50

Balance sheet (continued)

30 June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB(Yuan)

Liabilities and Shareholders' equity	Closing balance	Opening balance
Non-current liabilities:		
Long-term loans	—	—
Bonds payables	—	—
Long-term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
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Total non-current liabilities	—	—
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Total liabilities	465,082,782.40	434,918,612.50
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Shareholders' equity:		
Share capital	913,838,529.00	913,838,529.00
Capital Reserve	1,470,969,585.14	1,470,969,585.14
Less: treasury stock	—	—
Special Reserve	—	—
Surplus Reserve	231,946,025.16	231,946,025.16
Generic risk reserve	—	—
Undistributed Profits	239,730,899.16	269,823,493.58
Discounted spread in foreign currency statement	—	—
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Total shareholders' equity	2,856,485,038.46	2,886,577,632.88
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Total liabilities and shareholders' equity	3,321,567,820.86	3,321,496,245.38
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Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Profit and loss statement

January-June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit:RMB(Yuan)

Items	Amount for the period	Amount for the same period last year
1. Total operating income	42,411,281.17	55,112,979.30
Include: Operating income	42,411,281.17	55,112,979.30
Interest income	—	—
Premiums earned	—	—
Income from Bank charges and Commissions	—	—
2. Total operating cost	100,829,270.53	111,599,002.00
Include: Operating cost	25,836,427.96	33,293,517.67
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	2,354,486.79	330,374.13
Selling expenses	2,304,409.26	6,890,243.25
Administrative expenses	74,667,417.02	62,526,005.67
Financial expenses	-3,971,520.28	9,327,062.73
Loss in assets impairment	-361,950.22	-768,201.45
Add: Income from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	88,576,528.57	112,036,504.14
Include: Investment income of associates and joint ventures	78,748,338.16	112,036,504.14
Exchange gain (losses are represented by “-”)	—	—
3. Operating profit (losses are represented by “-”)	30,158,539.21	55,550,481.44
Add: Non-operating income	63,138.28	1,012,451.19
Less: Non-operating expenses	929.00	123,268.58
Include: Loss from the disposal of non-current assets	—	—
4. Total Profit (losses are represented by “-”)	30,220,748.49	56,439,664.05
Less: Income tax	—	—
5. Net profit (net losses are represented by “-”)	30,220,748.49	56,439,664.05
6. Other comprehensive income	—	—
7. Total comprehensive income	30,220,748.49	56,439,664.05

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 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Items	Share capital	Capital Reserve	Amount for the period				Generic risk undistributed reserve	Profits	Total shareholders' equity
			Less: treasury stock	Special Reserve	Surplus Reserve	Other			
1. Balance at the end of last year	913,838,529.00	1,470,969,585.14	-	-	231,946,025.16	-	269,823,493.58	-	2,886,577,632.88
Add: change in accounting policies	-	-	-	-	-	-	-	-	-
Correction of Previous Errors	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of this year	913,838,529.00	1,470,969,585.14	-	-	231,946,025.16	-	269,823,493.58	-	2,886,577,632.88
3. Change of this year									
(a decrease is represented by "-")	-	-	-	-	-	-	-30,092,594.42	-	-30,092,594.42
(1) Net profit	-	-	-	-	-	-	30,220,748.49	-	30,220,748.49
(2) Other comprehensive income	-	-	-	-	-	-	-	-	-
Subtotal of item (1) and (2) above	-	-	-	-	-	-	30,220,748.49	-	30,220,748.49
(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	-	-	-	-	-	-	-60,313,342.91	-	-60,313,342.91
1. Transfer from surplus reserves	-	-	-	-	-	-	-	-	-
2. Transfer from generic risk reserves	-	-	-	-	-	-	-	-	-
3. Distribution to shareholders	-	-	-	-	-	-	-60,313,342.91	-	-60,313,342.91
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	-	-	231,946,025.16	-	238,730,899.16	-	2,886,485,038.46

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

Statement of change of shareholders' equity (continued)
January-June 2014

Prepared by: Nanjing Panda Electronics Company Limited

Unit:RMB(Yuan)

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	
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	—	—	—	—	17,138,784.05	— 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

Cash flow statement

January-June 2014

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	34,918,046.31	65,959,455.02
Net increase in Customer and interbank deposits	—	—
Net increase in borrowing from PBOC	—	—
Net cash increase in borrowing from other financial institutions	—	—
Cash received from premiums under original insurance contract	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits of policy holders and investment	—	—
Net increase in disposal of trading financial assets	—	—
Cash received from interest, 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	24,938,709.63	167,946,863.24
Sub-total of cash inflows from operating activities	59,856,755.94	233,906,318.26
Cash paid on purchase of goods and services received	20,096,360.12	207,527,606.56
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	26,243,856.79	38,123,824.90
Cash paid for all types of taxes	3,284,969.87	1,834,615.38
Cash paid relating to other operating activities	63,367,664.81	177,171,501.38
Sub-total of cash outflows from operating activities	112,992,851.59	424,657,548.22
Net cash flows from operating activities	-53,136,095.65	-190,751,229.96

Cash flow statement (continued)

January-June 2014

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	13,129,203.60	13,184,292.97
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	1,264,828,190.41	—
	<hr/>	<hr/>
Sub-total of cash inflows from investing activities	1,277,957,394.01	13,325,944.67
	<hr/> <hr/>	<hr/> <hr/>
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	5,848,665.73	8,869,671.31
Cash paid for acquisition of investments	141,000,000.00	—
Net increase in secured loans	—	—
Net cash paid on acquisition of subsidiaries and other operating entities	—	—
Cash paid on other investment activities	1,640,000,000.00	—
	<hr/>	<hr/>
Sub-total of cash outflows from investing activities	1,786,848,665.73	8,869,671.31
	<hr/> <hr/>	<hr/> <hr/>
Net cash flows from investing activities	-508,891,271.72	4,456,273.36
	<hr/> <hr/>	<hr/> <hr/>

Cash flow statement (continued)

January-June 2014

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 non-controlling shareholders' investment	—	—
Cash received from borrowings	70,000,000.00	515,000,000.00
Cash received from issuing bonds	—	—
Cash received from other financing activities	—	—
Sub-total of cash inflows from financing activities	70,000,000.00	1,813,239,997.92
Cash paid on repayment of borrowings	50,000,000.00	305,000,000.00
Cash paid on distribution of dividends or profits, or interest expenses	60,653,342.91	51,445,232.90
Including: bonus and profit paid to non-controlling shareholders by subsidiaries	—	—
Cash paid on other financing activities	—	1,127,547.13
Sub-total of cash outflows from financing activities	110,653,342.91	357,572,780.03
Net cash flows from financing activities	-40,653,342.91	1,455,667,217.89
4. Effect of fluctuations in exchange rates on cash	43.61	-98.78
5. Net increase in cash and cash equivalents	-602,680,666.67	1,269,372,162.51
Add: balance of cash and cash equivalents at the beginning of the year	890,098,522.88	79,348,878.62
6. Balance of cash and cash equivalents at the end of the year	287,417,856.21	1,348,721,041.13

Legal representative of
the Company:
Xia Dechuan

Chief Accountant:
Shen Jianlong

Head of the Accounting
Department:
Liu Xianfang

NOTES TO THE FINANCIAL STATEMENTS

1 January 2014 - 30 June 2014

(All amounts in RMB thousands unless otherwise stated)

I. INTRODUCTION TO THE COMPANY

Nanjing Panda Electronics Co., Ltd. (hereinafter referred to as "the Company") was established on 27 April 1992 after the approval from Nanjing Economic System Reform Committee with document number Ning Ti Gai Zi (1992) No.034. It turned into Nanjing Panda Electronics Co., Ltd. (present name) later by its sole promoter, Panda Electronics Group Co., Ltd. (PEGL), acquired the Company's 480,000,000 state-owned legal person shares in establishment with a consideration of total net asset value of RMB 480,000,000.00. Registered capital for the Company at its establishment was RMB 515,000,000.00, 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. Scope of business after approval 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.

In the extraordinary general meeting of the Company held on 27 May 1994, except other matters, an exceptional resolution was passed to approve the restructuring report, which included matters concerning deconsolidation and restructuring the assets and liabilities of the Company and companies under PEGL as well as re-affirming the state owned legal person shares of the Company. In the same meeting, one exceptional resolution was also passed. The Board of Directors 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 & A shares. According to the exceptional resolution, the net asset value of the Company would be adjusted on 29 June 1994. Net asset value of the Company at establishment was re-defined as RMB 322,873,348.00, including registered capital of RMB 322,870,000.00, comprising 287,870,000 state-owned legal person shares, 35,000,000 employee's shares, and capital reserve of RMB 3,348.00.

February 1996, the State-owned Assets Administration to state-owned enterprises [1996] No. 12 text recognition, the Company assessed the net assets of 864.714 million and the share capital of 322.87 million shares, among which Panda Electronics Group Co., Ltd. holds 287.87 million shares, internal ESOP 35 million; Panda Electronics Group Co., Ltd. invested in the Company RMB41.3 million assessed land use rights and RMB62 million debt. According to the reply concerning the report released by the State Committee for Changing System dated 11 March 1996. Registered capital for the Company increased to RMB 390,015,000.00. It was diverted into 355,015,000 state-owned legal person shares and 35,000,000 employee's shares.

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

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

The Company gained approval from the document by Securities Supervision and Management Committee of the State Council on 30 October 1996 of issuing Zheng Gan Fa Zi (1996) No. 304, to issue 23,000,000 ordinary shares in RMB to the public. Selling price is RMB5.10 per share. At 14 November 1996, all fund raised were received in full and the stock was listed on Shanghai Securities Exchange at 18 November 1996. The 35,000,000 internal employee's shares including 5,000,000 shares originally planned to be a source of financing was also listed after completion of issuing shares. 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 RMB 655,015,000.00. The approved scope of business includes research and development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching systems, electronic component parts, apparatus, machinery and equipment, industrial moulds and other equipment, computers and system engineering and as well as after-sale services and technical services for the such business.

The Company received new business license with numbered 320100400008823 on 6 January 2011. The registered capital is RMB 655,015,000. The scope of business approved is made up of certified business items and general business items. Certified business items include research, manufacture and sale of the transmission equipments of radio broadcasting and television, together with the after service, technical service, 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 non-metallic products such as chemical and wood; transmission and distribution equipments; environmental, public safety and related equipments; financial and taxation control devices; electricity source products; moulds; computer services, software and system integration business; property management; as well as after-sale services and technical services for the such business. The registered address is floors 1 and 2 on North side of No.5 Building, Nanjing High Technology Development District. The legal representative is Xia Dechuan and the parent of the Company is Panda Electronics Group Limited.

In December 2011, China Cinda Asset Management Co., Ltd. had transferred 8.87% shares of Panda Electronic Group Co., Ltd. (hereinafter referred to as "Panda Group" or "Group") to Nanjing Electronics Information Industrial Corporation (hereinafter referred to as "NEIIC")

In 2012, according to Jiangsu Provincial government's approval "The agreement of indirectly transferring quoted shares which are held by Panda Electronic Group Co., Ltd.--Nanjing Huadong Electronics Group Co., Ltd." (Su Zheng Fu[2009]No.45), Jiangsu provincial State-owned assets supervision and Administration Commission's approval "the reply of amending partial state-owned property right in Panda Electronic Group Co., Ltd. with no obligation" (Su Guo Zi Fu[2012]No.22) State Council state-owned assets supervision and Administration Commission's approval "the reply of amending the actual controller of Nanjing Panda Electronics Co., Ltd." (Guo Zi Chan Quan [2012]No.158), and under the permission of China's Securities Regulatory Commission's approval "the reply of China Electronics Corporation announce acquisition report of Nanjing Panda Electronics Company Limited" (Zheng Jian Xu Ke [2012]No.770), 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). Panda Group completed the industrial and commercial registration of shareholders amendment on 21 September 2012. After the shares transferred, CEC held 70% shares of NEIIC, and NEIIC held 56.85% shares of Panda Group, as a result, CEC became the actual controller of Nanjing Panda Electronics Co., Ltd., with 51.10% shares of the Company.

On 19 April 2013, according to China Securities Regulatory Commission's approval (Zheng Jian Xu Ke [2013] No. 332), the Company was authorized to issue 258,823,529 ordinary shares (A shares) in RMB to no more than ten specific investors including Nanjing Electronic Information Industrial Corporation ("NEIIC") at a nominal value of RMB1.00 per share and a selling price RMB5.10 per share. The financed net value amounts to RMB 1,294,403,712.55, including an increase of share capital of RMB 258,823,529.00, an increase of capital reserve, RMB 1,035,580,183.55. The raised fund has been verified by Baker Tilly China Certified Public Accountants (Baker Tilly China) and the capital verification report Tian Zhi Hu QJ[2013] No.1907 was issued.

The registered capital of the Company was RMB 913,838,529.00 after the alteration of the business registration on 26 November 2013.

Prior to the non-public offering, Panda Group, the controlling shareholder of the Company, held 334,715,000 of the Company's shares, with a shareholding ratio of 51.10%. After the non-public offering, Panda Group, that held 36.63% of the total shares, remains to be the controlling shareholder of the Company. NEIIC, via holding 70.00% shares of CEC, remains the actual controller of the Company by holding 56.85% of the shares. After the non-public offering, controlling shareholder and actual controller's positions have not been changed.

The Financial Statements of the Company were approved by the Board of the Company on 15 August 2014.

II. THE DECLARATION ON COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR ENTERPRISES

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

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with the Basic Principle and 38 specific standards of Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as "the Accounting Standard for Business Enterprises"), as well as "No. 15 Reporting Regulation on the information disclosure for public share offering companies - Ordinary Reporting Regulation".(revised in 2010)

IV. ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES ADOPTED BY THE COMPANY AND PRIOR PERIOD

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 Ren Min Bi 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 RMB 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 Dominated 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 will be undertaken by the Company where there is an active market, the Company are quoted by adopting the prevailing offer in the active market. For financial assets to be acquired or financial liabilities to be undertaken are quoted by adopting 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) Transfer and Calculation of Financial Assets

Transfer of financial assets refer to a transfer or delivery of the financial assets from the Company will transfer or deliver 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.

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 violate terms of contract, such as a breach of rules or delay during settlement of interests or principal;
- C. Debtors give way to those under financial difficulty accounting on economic or legal reasons;
- 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.

The Company performs individual inspection of the impairment of the available-for-sale equity instruments as at the balance sheet date. If the fair value of the investments in equity instruments as at the balance sheet date is less than its initial investment cost by more than 50% (including 50%) or below the initial investment cost by more than one year (including one year), it indicates that the impairment occurs. If the fair value of investments in equity instruments as at the balance sheet date is lower than its initial investment cost by over 20% (20%) but less than 50%, other relevant factors will be taken into account, such as price volatility, etc., to determine whether the impairment of investments in equity instruments occurs. The Company records the initial investment cost of the available-for-sale equity instruments by using weighted average cost method.

If the fair value of the available-for-sale financial assets declines significantly or after consideration of all relevant factors, the decline is not temporary; an impairment loss shall be recognized. The accumulated loss recognized directly in equity shall be transferred out and recorded in impairment loss.

7. Receivables

Receivables include accounts receivables, prepayments and other receivables. Accounts receivables arising from sales of goods or rendering services are initially recognized at fair value by the Company in accordance with the contract or agreement with the customers.

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.

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

- A. 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.
- B. 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 under the same control in stages, the initial cost of the investment shall be recognized based on the proportion of the ownership interests of the combined party as at the merger date. The differences between the initial investment cost, primary book value of the long-term investment and the fair value of the further consideration paid to achieve the business combination should be adjusted to the capital surplus (capital premium or share capital premium). If the capital reserve is not adequate to offset, an adjustment shall be made to the retained earnings.

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.

Besides 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:

- A. The cost of a long-term equity investment acquired by payment of cash shall be recognized at the actual purchase cost.
- B. 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;
- C. 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;
- D. 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 Enterprises No. 7 - Exchange of Non-monetary Assets.
- E. The cost of a long-term equity investment acquired by debt restructuring shall be recognized in accordance with Accounting Standards for Enterprises No. 12 - Debt Restructuring.

(3) Subsequent measurement method and recognition methods of investment income of long-term equity investment

- ① 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.

- ② 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:

- ① The economic benefits pertinent to this investment property are likely to flow into the enterprise;
- ② The cost of the investment property can be reliably measured.

(2) Initial measurement of the investment property

- ① The cost of a purchased investment property consists of the purchase price, relevant taxes, and other expenses directly related to the asset.
- ② 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.
- ③ The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.
- ④ 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 vice versa. The book value of the property prior to the conversion shall be entry value after conversion.

11. Fixed Assets

(1) Recognition scope 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:

- ① The economic benefits pertinent to the fixed asset are likely to flow into the enterprise;
- ② The cost of the fixed asset can be measured reliably.

(2) Initial measurement of fixed asset

Fixed assets are measured initially at cost.

- ① 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.

- ② 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.
- ③ 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.
- ④ 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.
- ⑤ 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 No. 7 - Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 - Debt Restructuring, Accounting Standards for Enterprises No. 20 - Merger of Enterprises and Accounting Standards for Enterprises No. 21 - Leases.

(3) Categories of fixed assets

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

(4) Depreciation of Fixed assets

- ① 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 equipment	5-11	3-5	8.64-19.40
Transportation equipment	5-10	3-5	9.50-19.40
Electronic equipment	3-7	3-5	13.57-32.33
Other equipment	5	3-5	19.00-19.40

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.

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.

- ② 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.

(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

① 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.

② 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 recognized as an expense in the period in which they are actually incurred.

③ 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 and other costs necessarily incurred to bring construction to get ready for its intended use. Borrowing costs that are eligible for capitalization are capitalized as part of the cost of assets 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:

- ① Meet the definition of intangible assets;
- ② The economic benefits pertinent to the assets are likely to flow into the Company;
- ③ 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:

- ① The cost of purchased intangible assets shall include the purchase price, relevant taxes another 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.

② 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.

③ 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 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.

④ 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 estimated useful life and amortization method should be adjusted at the end of each year regarding the intangible assets with indefinite useful life. 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. Assets held for sale

The non-current asset shall be recognized as held for sale assets when it meets the following requirements simultaneously:

1. The Company has determined to dispose it;
2. The Company has entered into an irrevocable transfer agreement with the transferee;
3. It is highly probable that the transfer will be completed within one year.

With regard to fixed assets held for sale, the expected net residual value of the asset is adjusted to reflect the amount of its fair value deducted by disposal costs (but not to exceed the original book value when the asset meets the requirements as assets held for sale). If the former is higher than the adjusted book value of expected net residual value, the difference shall be recognized as asset impairment loss in profit or loss.

Intangible assets and other assets meeting the requirements above shall be recognized as held for sale assets as well.

15. 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.

16. 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 amortized evenly over the benefit period. And it shall be presented as the net value of the actual expenditure less the accumulated amortization. If the long-term deferred expense cannot benefit from all the subsequent accounting period, the remained value which has not been amortized shall be recorded into the current income statement.

17. 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:

- ① The current market price of assets falls significantly, beyond the expectation based on the advance of time or normal use;
- ② 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 enterprise;

- ③ 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;
- ④ Any evidence shows that the assets have become obsolete or physical damage occurred;
- ⑤ The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- ⑥ 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 (or loss) realized is lower (higher) than the expected amount, etc.;
- ⑦ 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.

18. Borrowing Costs

(1) Recognition Principles for Borrowing Cost Capitalization

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

- ① Capital expenditure has been incurred.
- ② The borrowing costs have been incurred.
- ③ 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:

- ① 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.
- ② Where a general borrowing is used for the acquisition and construction or production assets qualifying for capitalization, the Company shall calculate and determines 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.

19. 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.

(1) Social security contributions, housing funds

In accordance with relevant Chinese laws and regulations, the Company and its subsidiaries are engaged in the social security system established by government agencies, and pay the basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance and other social insurance and housing fund for the employees according to the base and proportion stipulated by the state. These contributions to social insurance and housing fund in accordance with the accrual basis of assets shall be recorded in cost of asset or current profit or loss.

(2) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Company shall record the accrued liabilities in the current profit when it meets the following requirement simultaneously:

- ① The Company or its subsidiaries have developed a formal plan on termination the labor relations or employees' decision to accept voluntary redundancy, which will be implemented.
- ② The Company or its subsidiaries cannot unilaterally withdraw the plan on termination of the labor relations or voluntary redundancy.

Terminations which are completed within a year while the compensation (including retirement plans) implementing more than 1 year, shall be discounted by the same term treasury bill rate and the discounted amounts are measured in the current profit. The difference between the discounted amounts and the actual termination benefits, shall be treated as financing charges and recorded in financing expense in subsequent financial year.

20. Share-based Payments

(1) The Equity-settled Share-based Payments

- ① 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.

- ② 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.
- ③ 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.
- ④ 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

- ① The cash-settled share-based payments are measured at the fair value of liabilities born by the Company.
- ② 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.
- ③ 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.
- ④ 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.

21. Provisions

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

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

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

22. 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:

- ① The major risks and rewards attached to ownership of the goods have been transferred to the buyers by the Company;
- ② The Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods;
- ③ A reliable measurement can be made to the amount of the revenue;
- ④ The relevant economic benefits are likely to flow into the Company;
- ⑤ 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:

- ① 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.
- ② 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 an alienating use right of assets

- ① Recognition Principles for the revenue from an alienating use right of assets

The revenue from an alienating use right 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.

- ② Specific recognition method

- A. The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's cash is lent and the actual interest rate.
- B. 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.

23. 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: The total contract revenue can be measured in a reliable way; The economic benefits pertinent to the contract are likely flow into the Company; The actual contract costs incurred can be clearly distinguished and measured reliably; 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: The economic benefits pertinent to the contract are likely flow into the Company; 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 cannot be estimated in a reliable way, it shall be treated in accordance with the circumstances as follows, respectively: 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; If the contract costs cannot be recovered, it shall be recognized as contract expenses when incurred and no contract revenue shall be recognized.**
- (3) **If the expected total contract costs exceed the total contract revenue, the expected loss shall be recognized as a current expense. If the contract is in executing, the balance shall be recognized as impairment provision for inventories. If the loss contract is to be executed, the balance shall be recognized as estimated liabilities.**

24. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company for free, including tax refunds, financial subsidies, etc.

Government grants are recognized only when the Company can meet the requirements attached to the grants and the Company will receive the grants. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

- (1) **Standards distinguished about government grants related to an asset and government grants related to income.**

Government grant related to assets refers to those that the Company acquired and should be used to purchase or construct long-term assets. Grant related to income is a government grant other than those related to assets.

If the subsidy objects are not clearly defined in the relevant documents, the government grants shall be regarded as grants related to income, such as entity subsidies, bonuses, and other entity support funds, which is recognized as a reward for past achievements. If the nature of the government grant is comprehensive, it shall be broken down into portions associated with the assets and income-related, and they shall be treated respectively.

(2) Amortization method of deferred income and confirmation method of amortization period related to government grants.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

25. 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.

① Non-monetary assets shall be recognized and measure, 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.

② 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.

③ 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.

26. 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

- ① 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.
- ② 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 assets, 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

- ① 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.
- ② 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 assets, 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 noncash 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.

27. 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 or and operating lease

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

- ① The ownership of the leased asset is transferred to the lessee when the term of lease expires.
- ② 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.
- ③ 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).
- ④ 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.
- ⑤ 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

- ① 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 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.

Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

② 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 recognized as an expense 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.

28. 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

① 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.

② Where the deductible temporary difference related to the investments of the 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 expected future;
- B. It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

③ 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

- ① 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 nor taxable income (or deductible loss) is affected.
- ② As for the taxable temporary differences related to the investments of 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 excepted 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:

- ① Merger of enterprises;
- ② The transactions or events directly recognized as the owner's equity.

(6) Impairment of deferred income tax assets

- ① 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.
- ② Where it is likely to obtain sufficient taxable income taxes, the book value of deferred tax assets reduced can be recovered.

29. Segment Report

The Company identifies operating segments in accordance with the internal organizational structure, management requirements and internal reporting structure. The Company determines reportable segments and discloses information about their operating segments on the basis of operating segments.

An operating segment is a component of the Company that meets the following conditions: 1)The operating segment may generate revenues and expenses by engaging in business activities; 2) Whose operating results are reviewed regularly by the management of the Company to make decisions on resources allocation and performance assessment; 3) The financial performance and cash flows information are available. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with similar economic characteristics and are similar in various prescribed respects.

V. STATEMENT OF MAIN ACCOUNTING POLICIES, CHANGE IN ACCOUNTING ESTIMATE AND CORRECTION OF PREVIOUS ERRORS

1. Statement of change in accounting policy

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

2. Change in Accounting Estimate and Correction to Previous Errors

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

VI. TAX

1. Value-added tax

Value-added tax is applicable to the Company's revenue from sales of goods. The sales tax rate for domestic sales of goods is 17%, the tax rate for R&D, technical services and IT services is 6% and the tax rate for sales of water-supply is 13%. The sales tax rate of used fixed assets whose input tax was not deducted is halved with a rate of 4%. Exports goods enjoy duty-free.

The value-added tax paid for purchase of raw materials of imported 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 import duty paid for export of products, and the refund tax rate for export is 13% and 17%.

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

2. Sales Tax

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

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

3. Urban development tax and education surcharge

The Company's urban development tax and education surcharge are calculated on the basis of the assessable amount of value-added tax and sales tax. The applicable tax rates are 7% and 3%-5% respectively (the National rate is 3%, the local rate is 0%-2%).

4. Enterprise income tax

The Company is recognized by Jiangsu Provincial Science and Technology Commission as a high-tech enterprise on 30 September 2011 with the effective period for 3 years and the Company was issued a high-tech enterprise certificate (Certificate No.GF2011132000407) Accordingly, the Company enjoys a preferential tax policy of 15% from 1 January 2014 to 30 June 2014.

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

Nanjing Panda Appliance & Apparatus Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011 with the effective period for 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000336). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Communication Technology Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 9 September 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000357). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Huage Appliance and Plastic Industrial Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 30 September 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201132000917). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Electronic Manufacture Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 8 November 2011, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GR201132000618). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Electronic Equipment Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 25 October 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GR201232001420). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Information Industry Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201232000712). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Electromechanical Instruments Technology Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology Commission on 5 November 2012, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201232000755). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

Nanjing Panda Mechanical Manufacturing Co., Ltd, a subsidiary of the Company, is recognized as a high-tech enterprise by Jiangsu Science & Technology on 11 December 2013, with an effective period of 3 years and it was issued a high-tech enterprise certificate (Certificate No.GF201332000359). Accordingly, it paid income taxes by 15% of taxable income from 1 January 2014 to 30 June 2014.

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

5. Real property tax

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

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

6. Other taxes

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

VII. MERGER OF ENTERPRISES AND CONSOLIDATED FINANCIAL STATEMENTS

1 Merger of enterprises

(1) Merger of enterprises under same control

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 satisfy 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 shall be recorded in the following sequence.

1) Where a business combination not involving enterprises under common control is achieved through several multiple transactions, the cost of combination is the amount of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is re-measured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

2) Compare the costs of each individual cost of transactions and the identifiable share of the fair value of assets, to determine the goodwill or the amount which should be included in the current income statement. The goodwill recognized at the acquisition date (or the amount recorded in the current income statement) should be aggregated for each individual transaction.

3) As to the share acquired before the acquisition date, the value of the share should be readjusted and the investment income should be recognized accordingly and the other comprehensive income should be recognized as investment gain or loss as well.

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.

(4) Loss of control of a subsidiary in disposal of equity interests achieved in stages

- ① Principals for determining whether transactions of losing control of a subsidiary in disposal of equity interests achieved in stages should be recognized as a package deals or not.

Usually transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- A. These transactions are achieved at the same time or the mutual effects on each other are considered.
- B. A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- C. Achieving a transaction depends on at least achieving of one of the other transaction.
- D. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

- ② The accounting treatment of transactions of losing control of a subsidiary in disposal of equity interests achieved in stages recognized as a package deals.

If losing control of a subsidiary in disposal of equity interests achieved in stages is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period in which it arises.

Residual interest shall be re-measured at its fair value at the date when control is lost. The margin between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

- ③ The accounting treatment of transactions of losing control of a subsidiary in disposal of equity interests achieved in stages not belonging to a package deals.

Regarding the disposal of investments in subsidiaries without loss of control, the margin of disposal proceeds and disposition of investments eligible for the corresponding share of net assets of the subsidiary shall be recognized in capital surplus (capital premium) in the consolidated financial statement. If the capital premium is not sufficient to be offset, adjustment should be made to retained earnings.

Regarding the disposal of investments in subsidiaries loss of control, the remaining equity should be re-measured at their fair value at the date of loss of control in the consolidated financial statements. The margin between the aggregate of the consideration received on disposal and the fair value of any retained interest and the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

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 for 30 June 2014.

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	Industry	10,000	Development and production of mobile communications, digital communications, network communications systems and products
Nanjing Panda Mechanical Engineering Plant	Nanjing	Service	4,500	Manufacture and sales of electronic products, communication equipment, appliance and apparatus.
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.	Nanjing	Industry	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	Industry, Software	100	Production, development and sale of testing appliance; design and installation of electronic information system
Nanjing Panda Mechanical Manufacturing Co., Ltd.	Nanjing	Industry	1,000	Metal components
Nanjing Panda Accurate Machinery Co., Ltd.	Nanjing	Industry	500	Production of equipment and spare parts for electronic industry; processing of sophisticated machinery
Nanjing Panda Machinery Co., Ltd.	Nanjing	Industry	300	Processing and manufacturing of mechanical parts
Nanjing Panda Information Industry Co., Ltd.	Nanjing	Industry	USD3,194.6435	Development, production and sale of electronic information products
Nanjing Panda Electronic Manufacture Co., Ltd.	Nanjing	Industry	USD2,000	Development and production of new models of electronic products
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	Nanjing	Industry	6,000	Plastic product & accessories
Nanjing Panda Power supply Technology Co., Ltd.	Nanjing	Industry	1,100	Design, production and sales of Power supply and special type power transformer
Nanjing Guanghua Electronics Plastic Casings Factory	Nanjing	Service	1,149.76	PVC, ABS products
Nanjing Panda International Communication Systems Co.,Ltd.	Nanjing	Industry	USD124	Development, production sale of telephone and telecommunication system
Nanjing Panda Electronic Equipment Co., Ltd.	Nanjing	Industry	19,000	Manufacture of automatic industrial equipment, environmental protection equipment, and logistic accessories
Nanjing Panda Industrial Enterprise Co., Ltd.	Nanjing	industry	2,000	Property management and sales of mechanical, electronic products, construction materials and office supplies
Nanjing Panda Electronic Technology Development Co., Ltd.	Nanjing	Industry	64,500	General equipment manufacturing, software development, property management
Galant Limited	Hong Kong	R & D	HKD1	R&D of communication products

Company name	The Company's Actual investment (RMB0'000)	Balance of net investment in other accounts in subsidiaries (RMB0'000)	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. (note)	10,001.80		100	100	Yes
Nanjing Panda Mechanical Engineering Plant	3,004.20		99.11	100	Yes
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.(b)	1,275.05		100	100	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 Machinery Co., Ltd.	258.22		85.82	85.82	Yes
Nanjing Panda Information Industry Co., Ltd.	21,681.42		100	100	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 Supply Technology Co., Ltd.	875		79.55	79.55	Yes
Nanjing Guanghua Electronics Plastic Casings Factory	827.11		100	100	Yes
Nanjing Panda International Communication Systems Co.,Ltd.	765.50		72	72	Yes
Nanjing Panda Electronic Equipment Co., Ltd.(d)	19,000		100	100	Yes
Nanjing Panda Industrial Enterprise Co., Ltd.(c)	2,000		100	100	Yes
Nanjing Panda Electronic Technology Development Co., Ltd.	64,500		100	100	Yes
Galant Limited	HKD1		100	100	Yes

Note: Nanjing Panda Technology Equipment Co., Ltd. a subsidiary of the Company, was written off on 14 April 2014.

(2) Preparation method of consolidated financial statements

① Basic preparation method of consolidated financial statements

Based on the financial statements of the parent 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'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. Non-controlling interests shall be presented as "Non-controlling interests" under the owner's equity in the consolidated balance sheet. Non-controlling interests shall be presented as "Non-controlling 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) **Changes in the consolidation scope**

Nanjing Panda Technology Equipment Co., Ltd. was incorporated into the consolidated financial statements until it was written off on 14 April 2014.

(4) **Entities not included in the consolidation scope**

Company name	Net asset as at disposal date	Net profit from the opening to the disposal date
Nanjing Panda Technology Equipment Co., Ltd.	(10,468,242.93)	

(5) **Non-controlling interests**

① Non-controlling interests of subsidiaries

Company name	Closing balance	Opening balance
Nanjing Panda Mechanical Manufacturing Co., Ltd.	11,086,341.67	10,474,763.52
Nanjing Panda Machinery Co., Ltd.	160,257.52	164,431.68
Nanjing Panda Electromechanical Instruments Technology Co., Ltd.		5,472,380.85
Nanjing Panda International Communication Systems Co., Ltd.	(4,690,883.71)	(4,690,453.49)
Nanjing Panda Power Supply Technology Co., Ltd.	(1,897,115.47)	(1,894,569.84)
Total	4,658,600.01	9,526,552.72

VIII. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Unless specified otherwise in the following notes (including the notes to the financial statements of the Company), the terms "opening balance" and "closing balance" refer to the balances as of 1 January 2014 and 30 June 2014 respectively, and the terms "last year" and "the year" refer to from January to June for the year of 2013 and from January to June for the year of 2014 respectively.

1. Cash and Bank Balances

Items	Closing balance	Opening balance
Cash	461,789.79	312,616.12
Bank balances	688,905,052.41	1,308,618,174.27
Other cash and bank balances	76,627,686.03	70,895,228.53
Total	765,994,528.23	1,379,826,018.92

Cash and bank balances include the following foreign currencies:

Items	Closing Balance			Opening Balance		
	Amount in original currency	Exchange rate	Equivalent amount in CNY	Amount in original currency	Exchange rate	Equivalent amount in CNY
USD	990,840.55	6.1528	6,096,443.73	928,244.03	6.0969	5,659,411.03
HKD	44,851.07	0.7938	35,602.78	130,528.66	0.78623	102,625.55
EUR	37,891.99	8.3946	318,088.10	37,890.45	8.4189	318,995.91
Total			6,450,134.61			6,081,032.49

- (1) The closing balance of the other restricted cash and bank balances amounting to RMB76,627,686.03 (the closing balance for 2013 is RMB70,895,228.53) mainly included bank bill payables deposits of RMB26,530,666.46, contract guarantee deposits of RMB50,097,019.57.

4. Accounts Receivable

(1) Break-down of accounts receivable by categories

Items	Closing Balance			Percentage of provision for bad debt %
	Balance	Percentage %	Provision for bad debt	
Substantial amount of single account receivable with specific provision (note 1)	691,157,598.77	81.81	37,221,760.56	5.39
Other unsubstantial amount of accounts receivable with specific provision (note 2)	153,661,911.28	18.19	17,246,666.91	11.22
Total	844,819,510.05	100	54,468,427.47	
	Opening Balance			
Items	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debt %
Substantial amount of single account receivable with specific provision	537,305,111.42	77.35	37,407,590.28	6.96
Other unsubstantial amount of accounts receivable with specific provision	157,376,781.11	22.65	22,758,158.51	14.46
Total	694,681,892.53	100	60,165,748.79	

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

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

Name of debtor	Amounts	Percentage of		Reasons
		Provision for bad debt	provision for bad debt %	
CEC Panda LCD Technology Co., Ltd.	96,954,121.39			Expected can be recovered
CEC Panda Liquid Crystal Material Technology Co., Ltd.	74,577,057.30			Expected can be recovered
Nanjing Lopu Co., Ltd.	51,727,410.81			Expected can be recovered
Nanjing panda HanDa technology Co., Ltd.	40,427,419.25	2,980.03	0.01	Current value of the expected future cash flow is lower than its carrying value
Andrew Telecommunications Equipment (China) Co., Ltd.	37,096,296.92			Expected can be recovered
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	28,007,527.00			Expected can be recovered
Binhai County Broadcast and Television Bureau	26,872,100.00	2,257,010.79	8.40	Current value of the expected future cash flow is lower than its carrying value
Nanjing Sharp Electronics Co., Ltd.	24,771,281.74	18,219.26	0.07	Current value of the expected future cash flow is lower than its carrying value
Nanjing Yougete Communication Equipment Co., Ltd.	24,275,000.00			Expected can be recovered
Anlush Radio Frequency System (Shanghai) Co., Ltd.	22,358,308.68			Expected can be recovered
Nanjing Public security Bureau	21,342,037.37			Expected can be recovered
PACIC DIGIT CORP	21,203,650.91	21,203,650.91	100.00	Expected can not be recovered
Nanjing Municipal Communist Party School	20,882,526.23			Expected can be recovered
Sheyang County Broadcast and Television Department	19,505,575.00			Expected can be recovered
Zhejiang Insigma Technology Zhonghe Railway Co., Ltd	16,533,269.00			Expected can be recovered
Suzhou Rail Transit line 2 Co., Ltd.	15,674,192.23			Expected can be recovered
Shanghai Amphend Airwave Communication Electronics Co., Ltd.	14,674,322.32			Expected can be recovered
Ningxia Broadcast, Film & Television Bureau	12,558,672.00	1,749,813.00	13.93	Current value of the expected future cash flow is lower than its carrying value
Nanjing Olympics Construction Development Co.,Ltd	11,556,017.12			Expected can be recovered
Nanjing Internet of Things Application Research Institute Co., Ltd.	10,671,375.00			Expected can be recovered
Nanjing Guobo Electronics Co., Ltd.	10,431,342.50			Expected can be recovered
Nanjing Qixia District Cable Management Station	10,076,508.70			Expected can be recovered
Nanjing Zijin (Jiangning) Science and Technology Innovation Special Community Construction Development Co., Ltd	10,000,000.00			Expected can be recovered
Funing County Broadcasters	9,256,000.00			Expected can be recovered
Wuhan Metro Group Co., Ltd.	8,932,590.60			Expected can be recovered
DaFu Automatic Handling Equipment (Suzhou) Co., Ltd.	8,726,842.80			Expected can be recovered
NARI Technology Development Co., Ltd.	7,144,772.52			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
BSH Household Appliances Co., Ltd.	6,209,602.85			Expected can be recovered
International Far Eastern Leasing Co., Ltd.	5,940,000.00			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 Ericsson Panda Communication Co., Ltd.	5,776,003.96	360.00	0.01	Current value of the expected future cash flow is lower than its carrying value
Shong County Broadcast and Television Information Network Co.Ltd.	5,006,048.00			Expected can be recovered
Total	691,157,598.77	37,221,760.56		

Note2. Unsubstantial amount of accounts receivable with specific provision

Name of debtor	Amounts	Percentage of		Reasons
		Provision for bad debt	provision for bad debt	
				%
Panda Electronics Group Limited	4,564,799.19			Expected can be recovered
Chengdu Mobile Video Project	3,980,000.00			Expected can be recovered
Hangzhou Amphenol Phoenix Telecom Parts Co., Ltd.	3,924,336.60			Expected can be recovered
Ganyu County Broadcast and Television Network Development Co., Ltd.	3,725,240.96			Expected can be recovered
Suzhou Majie Technology Co., Ltd.	3,672,461.06			Expected can be recovered
BSH Household Appliances Co., Ltd.	3,559,243.73			Expected can be recovered
Guangzhou Mobile Video Project	3,265,000.00			Expected can be recovered
Diehl Controls (Nanjing) Co.Ltd	3,231,531.03			Expected can be recovered
Wuxi Rail Transportation Development Co., Ltd.	3,226,565.50			Expected can be recovered
Nanjing Panda Electronics Import/Export Co.,Ltd.	2,906,771.07	76,756.38	2.64	Current value of the expected future cash flow is lower than its carrying value
Jurong Amenity Outdoor Media Co. Ltd	2,850,000.00			Expected can be recovered
Kunshan Rural Commercial Bank	2,800,000.00			Expected can be recovered
Nanjing Skyworth Flat Panel Display Technology Company Limited	2,409,435.18			Expected can be recovered
Kubota Agricultural Machinery (Suzhou) Co., Ltd.	2,375,998.62			Expected can be recovered
Nanjing Agricultural University Institute of Technology	2,351,337.85			Expected can be recovered
ASSA ABLLOY automatic door systems (Suzhou) Co., Ltd.	2,321,563.99			Expected can be recovered
Ganyu Surplus Funds Project Management Office for Follow-up Support on Migration of Reservoir	2,319,880.98			Expected can be recovered
Department of Education of Huaiyin District of Huai'an City	2,225,700.00			Expected can be recovered
Guannan Broadcast and Television Network Co., Ltd.	2,220,000.00			Expected can be recovered
Jiangsu and Guangdong TV Information Network Chronicle Co., Ltd.Yancheng Branch	2,164,110.00			Expected can be recovered
Comepack (Shanghai) Trading Co., Ltd	2,070,938.84			Expected can be recovered
Nanjing Jialitu Air Conditioning Electrical Co., Ltd.	2,014,762.00			Expected can be recovered
Nanjing Jiangning Financial Bureau	2,000,000.00			Expected can be recovered
Suzhou Tianye Mechanical Engineering Co., Ltd.	1,968,200.15			Expected can be recovered
Suzhou Dongshan Precision Manufacturing Co.,Ltd	1,954,676.46			Expected can be recovered
Peixian Broadcasting and Television Information Network Co., Ltd.	1,950,840.00			Expected can be recovered
JianhuXian Financial Audit Payment Center	1,891,959.20			Expected can be recovered
Jiangsu Guanyun Rural Cooperative Bank	1,767,460.48	426,438.04	24.13	Current value of the expected future cash flow is lower than its carrying value
Delaval (Shanghai) Dairy Machinery Co., Ltd.	1,700,658.48			Expected can be recovered
Nanjing China Electronics Real Estate Co., Ltd.	1,573,914.43			Expected can be recovered
Xuzhou College of Industrial Technology	1,448,923.97			Expected can be recovered
Nanjing Broadcast and Television Network Co., Ltd.	1,338,112.20			Expected can be recovered
Fuzhou Wanda Plaza Investment Co., Ltd.	1,331,575.50			Expected can be recovered
Huatai Group Company	1,236,800.00			Expected can be recovered
Nanjing Hexi Convention and Exhibition Co., Ltd.	1,150,000.00			Expected can be recovered
Feng County Broadcast and Television Information Network Co., Ltd.	1,141,325.00			Expected can be recovered
Camoga Machinery Manufacturing Nanjing Ltd.	1,139,717.74			Expected can be recovered
Nanjing Children's Hospital	1,122,218.27			Expected can be recovered
Siyang Donggong Bureau	1,077,009.78			Expected can be recovered
Shanghai Dongpeng Technology Co., Ltd.	1,045,000.00			Expected can be recovered
Others	62,643,843.02	16,743,472.49	26.73	Current value of the expected future cash flow is lower than its carrying value
Total	153,661,911.28	17,246,666.91		

(2) Aging analysis of accounts receivable

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage	Provision for		Amount	Percentage	Provision for	
			Bad debt	Percentage of provision for bad debts			Bad debt	Percentage of provision for bad debts
%	%		%	%	%		%	
Within 1 year	668,002,872.76	79.07	119,839.78	0.02	554,028,021.99	79.75	29,567.69	0.01
1-2 years	74,225,696.42	8.79	1,182,836.62	1.59	68,056,728.88	9.80	3,668,840.95	5.43
2-3 years	60,666,859.45	7.18	12,294,404.69	20.27	25,653,812.39	3.69	9,794,831.32	38.18
3-5 years	8,834,160.25	1.05	8,525,027.11	96.50	15,877,534.99	2.29	15,594,420.05	98.22
more than 5 years	33,089,921.17	3.91	32,346,319.27	97.75	31,065,794.28	4.47	31,048,068.78	99.94
Total	<u>844,819,510.05</u>	<u>100</u>	<u>54,468,427.47</u>		<u>694,681,892.53</u>	<u>100</u>	<u>60,165,748.79</u>	

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

Name of debtor	Amount	Percentage in the total value of the accounts receivable	Ageing
		%	%
CEC Panda LCD Technology Co., Ltd.	96,954,121.39	11.48	Within 2 year
CEC Panda Liquid Crystal Material Technology Co., Ltd.	74,577,057.30	8.83	Within 1 year
Nanjing Lopu Co., Ltd.	51,727,410.81	6.12	Within 1 year
Nanjing panda HanDa technology Co., Ltd.	40,427,419.25	4.79	Within 1 years, above 5 years
Andrew Telecommunications Equipment (China) Co., Ltd.	37,096,296.92	4.39	Within 1 year
Total	<u>300,782,305.67</u>	<u>35.61</u>	

(4) The closing balance of foreign account receivable

Item	Closing Balance			Opening Balance		
	Amount in original currency	Exchange rate	Equivalent amount in CNY	Amount in original currency	Exchange rate	Equivalent amount in CNY
USD	398,059.77	6.1528	2,449,182.15	523,109.54	6.0969	3,189,346.55
Total			<u>2,449,182.15</u>			<u>3,189,346.55</u>

(5) The closing balance of accounts receivable included RMB 4,564,799.19 due from Panda Electronics Group Limited, the shareholder holding 36.63% shares of the Company.

(6) The closing balance of accounts receivable includes RMB 256,418,771.44 due from related parties, representing 30.35% of the total accounts receivable (the closing balance of 2013: RMB 182,158,107.96, representing 26.22%). Please refer to Note X 3 (7) for disclosure of relevant related transactions.

5. 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	150,579,935.15	80.03	40,000.00	0.03	115,210,478.91	84.31	18,895.81	0.02
1-2 years	31,698,147.17	16.85	312,879.81	0.99	9,935,994.27	7.27	77,399.52	0.78
2-3 years	2,012,661.91	1.07	1,981,100.50	98.43	6,196,492.43	4.53	565,552.89	9.13
More than 3 years	3,870,628.58	2.05	3,631,656.02	93.83	5,315,240.11	3.89	5,303,588.11	99.78
Total	<u>188,161,372.81</u>	<u>100</u>	<u>5,965,436.33</u>		<u>136,658,205.72</u>	<u>100</u>	<u>5,965,436.33</u>	

(2) The closing balance of 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.	25,451,706.03	13.53	The third party	Within 1 year, 1-2 years	Goods not delivered
Cosmos Industrial Co., Ltd.	15,929,735.42	8.47	The third party	Within 1 year	Project not delivered
Shanghai Aiji Information Technology Co., Ltd.	11,589,180.00	6.16	The third party	Within 1 year	Goods not completed
Shanghai Okamura Furniture and Logistic System Technology Co., Ltd.	6,750,000.00	3.58	The third party	Within 1 year	Goods not delivered
Nanjing Keyong Technology Co., Ltd.	6,585,687.72	3.50	The third party	1 - 2 years	Goods not delivered
Total	<u>66,306,309.17</u>	<u>35.24</u>			

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

(5) The closing balance of prepayment includes RMB 2,074,423.15 due from related parties (the closing balance of 2013: RMB 2,055,530.87), accounting for 1.10% of the total prepayment (the closing balance of 2013: 1.50%). Please refer to Note X 3 (7) for disclosure of relevant related transactions.

(6) Compare to last year, the amount of prepayment increased by 37.69%. The major reason is the increase of prepayment on purchase of materials.

6. Other Receivables

(1) Break-down of other receivables by categories

Item	Closing Balance			Percentage of provision for bad debts %
	Balance	Percentage %	Provision for bad debt	
Substantial amount of single other receivables with specific provision (note 1)	113,946,971.50	69.18		
Other unsubstantial amount of other receivables with specific provision (note 2)	50,764,389.06	30.82	10,277,132.85	20.24
Total	164,711,360.56	100	10,277,132.85	
			Opening Balance	
Item	Balance	Percentage %	Provision for bad debt	Percentage of provision for bad debts %
Substantial amount of single other receivables with specific provision	145,583,801.59	79.76		
Other unsubstantial amount of other receivables with specific provision	36,933,532.94	20.24	10,932,971.60	29.60
Total	182,517,334.53	100	10,932,971.60	

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

Note 1. Substantial amount of single other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debts %	Reasons
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	82,400,000.00			Expected can be recovered
Film and Television Bureau of Gansu Province	22,123,971.50			Expected can be recovered
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
Total	113,946,971.50			

Note2. Unsubstantial amount of single other receivable with specific provision.

Name of debtor	Amounts	Provision for bad debt	Percentage	Reasons
			of provision for bad debt %	
Nanjing Municipal Government Procurement Center	3,000,000.00			Expected can be recovered
Panda Electronics (Kunshan) Co. Ltd.	2,799,417.23	2,799,417.23	100.00	Expected can not be recovered
Nanjing Panda Digital Electronic Technology Development Company Limited	2,750,342.11			Expected can be recovered
Nanjing Xianlin Drum-tower Hospital Investment Management co., Ltd.	1,440,152.18	37,092.50	2.58	Current value of the expected future cash flow is lower than its carrying value
Bid Securities	1,332,927.51			Expected can be recovered
Nanjing Xinshengyu Customs	1,148,119.00			Expected can be recovered
Jirnan Supervision Co., Ltd.	1,000,000.00			Expected can be recovered
Others	37,293,431.03	7,440,623.12	19.95	Current value of the expected future cash flow is lower than its carrying value
Total	50,764,389.06	10,277,132.85		

(2) Aging analysis of other receivables

Ageing	Closing Balance				Opening Balance			
	Amount	Percentage	Provision for Bad debt	Percentage of	Amount	Percentage	Provision for Bad debt	Percentage of
				provision for bad debts %				provision for bad debts %
Within 1 years	115,990,936.69	70.42	225,000.00	0.19	158,880,622.45	67.05		
1-2 years	38,233,664.55	23.21	120,243.95	0.31	10,713,332.86	5.87		
2-3 years	245,700.00	0.15	1,000.00	0.41	1,175,161.70	0.64	54,090.70	4.60
3-5 years	2,480,458.13	1.51	2,175,288.71	87.70	6,214,815.22	3.41	5,516,632.80	88.77
More than 5years	7,760,600.19	4.71	7,755,600.19	99.94	5,533,402.30	3.03	5,362,248.10	96.91
Total	164,711,360.56	100	10,277,132.85		182,517,334.53	100	10,932,971.60	

(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
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	82,400,000.00	50.03	Within 2 years	Government Subsidies for relocation
Film and Television Bureau of Gansu Province Villagers Committee of Sifang	22,123,971.50	13.43	Within 2 years	Deposit
Village Shimerkan Town Baixia District Nanjing	9,423,000.00	5.72	Within 1 year	Government Subsidies for relocation
Nanjing Municipal Government Procurement Center	3,000,000.00	1.82	More than 1 year	Deposit
Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	1.70	More than 5 years	Receivables and Payables
Total	119,746,388.73	72.70		

- (4) The closing balance of other receivables included no amount due from shareholders with 5% (including 5%) or above of shareholding with voting power in the Company.
- (5) The closing balance of other receivables included RMB 2,799,417.23 due from related parties (the closing balance of 2013: RMB 2,799,417.23), representing 1.70% of the total other receivables (the closing balance of 2013: 1.53%). Please refer to Note X 3 (7) for disclosure of relevant related transactions.

7. Inventories

(1) Details of inventories

Items	Closing Balance			Opening Balance		
	Balance of inventories	Provision	Value of inventories	Balance of inventories	Provision	Value of inventories
Raw materials	141,162,591.68	6,709,974.52	134,452,617.16	112,819,039.93	4,820,487.11	107,998,552.82
Packaging materials	1,741,352.99		1,741,352.99	879,278.57		879,278.57
Low-value consumables	203,207.96		203,207.96	164,500.62		164,500.62
Work in progress	119,049,652.15	2,316,694.58	116,732,957.57	93,875,415.59	2,316,694.58	91,558,721.01
Stored commodities	124,690,654.41	15,113,766.58	109,576,887.83	130,170,620.25	7,270,207.98	122,900,412.27
Consigned commodities	11,975,210.76		11,975,210.76	18,898,769.14		18,898,769.14
Delivered commodities	26,784,151.04	1,650,807.06	25,133,343.98	31,178,473.82	1,650,807.06	29,527,666.76
Total	425,606,820.99	25,791,242.74	399,815,578.25	387,986,097.92	16,058,196.73	371,927,901.19

(2) Provision for diminution in value of inventories

Item	Opening Balance	Decrease in The year	Provision in the year			Closing Balance	Portion of reversal (%)
			Reverse	Write-off	Total		
Raw materials	4,820,487.11	1,889,487.41				6,709,974.52	
Work in progress	2,316,694.58					2,316,694.58	
Stored commodities	7,270,207.98	7,843,558.60				15,113,766.58	
Delivered commodities	1,650,807.06					1,650,807.06	
Total	16,058,196.73	9,733,046.01				25,791,242.74	

- ① Basis of provision for diminution in value of inventories: on each balance sheet day, inventories are measured based on the lower of cost and net realizable value, and provision for diminution in value of inventories is made based on the surplus of cost over net realizable value of inventories on an individual basis.
- 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 year	Decrease In the year	Closing balance
Investment in associated companies	505,413,179.41	78,748,338.16	15,885,728.60	568,275,788.97
Other Equity Investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long term investment	2,956,636.87		2,756,525.00	200,111.87
Total	<u>506,106,542.54</u>	<u>78,748,338.16</u>	<u>13,129,203.60</u>	<u>571,725,677.10</u>

Other equity investment is the investment in Jiangsu Provincial City Rail Transport Research & Design Institute Co., Ltd, The cost of investment amounting to RMB 3,650,000, representing for 7.3%. No impairment was found by the year end of the period.

(2) Details of investment in associated companies

Name of investee	The Company's shareholding percentage	The Company's percentage in voting rights of the investee	Total revenue from operations for the year	Net profit/(loss) for the year
	%	%		
Associated companies				
Beijing SE Putian Mobile Communications Co., Ltd.	20	20	14,950,265,032.80	227,734,767.93
Nanjing Ericsson Panda Communication Co., Ltd.	27	27	5,614,488,439.51	80,791,236.25
Shenzhen Jinghua Electronics Co., Ltd.	38.03	38.03	404,933,424.52	29,944,125.12

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

Name of investee	Investment cost	Opening Balance	Additional investment in the year	Increase/ decrease of the investee's equity	Cash bonus distributed	Closing Balance
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	124,596,800.00		45,546,953.59		170,142,753.59
Nanjing Huaxian High Technology Co.,Ltd.		10,000,000.00				
Hua Fei Color Display Systems Co., Ltd.	392,692,722.42					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Co., Ltd. Company Limited	60,863,279.60	267,452,280.00		21,813,633.79		289,265,913.79
Shenzhen Jinghua Electronics Co., Ltd.	69,687,437.75	99,862,782.53		11,987,750.78	13,129,203.60	98,121,329.71
Nanjing Electronics Panda Mobile Terminals Co., Ltd.	34,769,364.00					
Nanjing Electronics(Kunshan) Co. Ltd.	1,757,905.88					
Nanjing Thales Panda Transportation System Co.,Ltd.	8,626,600.00	10,545,680.01				10,545,680.01
Panda Korea Chen Xi Joint Venture Co.,Ltd.	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	<u>637,152,758.33</u>	<u>505,413,179.41</u>		<u>75,991,813.16</u>	<u>13,129,203.60</u>	<u>568,275,788.97</u>

Note 1: The Company holds 25% stake of Hua Fei Color Display Systems Co., Ltd. On 18 December 2012, the Intermediate People's Court of Nanjing City, Jiangsu Province, terminated the bankruptcy liquidation proceedings of Hua Fei Color Display Systems Co., Ltd. And the cancellation of business registration is still under processing.

Note 2: Nanjing Panda Technology Equipment Co., Ltd., a subsidiary of the Company, holds 50% stake of Panda Korea Chen Xi Joint Venture Co., Ltd. On 14 April 2014, Nanjing Panda Technology Equipment Co., Ltd. had been cancelled and had no longer been included in the consolidation scope.

(4) Impairment for the Long-term equity investment

Name of investee	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
Panda Korea Chen Xi Joint Venture Co., Ltd.	2,756,525.00			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			2,756,525.00	2,756,525.00	200,111.87

9. Fixed Assets

(1) Details of fixed assets

Items	Buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Other equipment	Total
Cost						
Opening Balance	513,075,788.97	308,794,311.86	21,170,601.41	36,486,901.73	26,726,544.68	906,254,148.65
Transfer from CIP				122,212.32		122,212.32
Other Current Addition		2,403,536.75	811,774.90	271,740.31	612,569.41	4,099,621.37
Other Current Disposal		659,556.64	670,115.00	145,575.39	64,370.11	1,539,617.14
Closing Balance	513,075,788.97	310,638,291.97	21,312,261.31	36,735,278.97	27,274,743.98	908,936,365.20
Accumulated Depreciation						
Opening Balance	136,512,997.15	182,930,319.21	8,203,830.36	28,812,268.65	16,957,508.99	375,416,924.56
Current Depreciation	8,176,364.10	12,451,393.94	996,099.97	1,166,094.37	1,430,141.47	24,220,093.85
Current Disposal		626,578.88	529,162.69	136,936.56	25,129.55	1,317,807.68
Closing Balance	146,689,361.25	194,755,134.27	8,670,767.64	29,841,426.66	18,362,520.91	398,319,210.73
Impairment Provision						
Opening Balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Current Increase						
Current Decrease						
Closing Balance	2,972,121.11	139,410.98		16,484.99	5,208.80	3,133,225.88
Net book value						
Closing Balance	366,386,427.72	115,883,157.70	12,641,493.67	6,877,367.32	8,907,014.27	507,483,926.59
Opening Balance	371,590,670.71	125,724,581.67	12,966,771.05	7,658,147.89	9,763,826.89	527,703,998.21

(2) The closing balance of fixed assets included no amount pledged as security for short-term borrowings as at 30 June 2014.

(3) Fixed assets leased out by operating lease

Items	Original book Value	Accumulated depreciation	Impairment provision	Book value
Buildings	20,443,916.72	8,809,143.66	2,930,788.83	8,703,984.23
Total	<u>20,443,916.72</u>	<u>8,809,143.66</u>	<u>2,930,788.83</u>	<u>8,703,984.23</u>

(4) Fixed assets without certification

Items	Original book Value	Accumulated depreciation	Impairment provision	Book value
Buildings	13,153,928.66	2,699,358.82	2,972,121.11	7,482,448.73
Total	<u>13,153,928.66</u>	<u>2,699,358.82</u>	<u>2,972,121.11</u>	<u>7,482,448.73</u>

(5) Impairment provision of fixed assets

Items	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
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	<u>3,133,225.88</u>	<u></u>	<u></u>	<u></u>	<u>3,133,225.88</u>	

10. Construction in progress

(1) The balance of Construction in progress

Items	The balance on account	Closing Balance Provision during the year	Value on account	The balance on account	Opening Balance	
					Provision during the year	Value on account
The first phase of the electronic equipment industry park	277,994,350.02		277,994,350.02	207,387,680.59		207,387,680.59
Xin Gang training Center	13,053,495.48		13,053,495.48	10,201,958.58		10,201,958.58
Machinery and equipment No. 4 and 5 engineering projects (Xin Gang plants)	4,922,938.67		4,922,938.67	581,461.67		581,461.67
	706,677.44		706,677.44			
Total	<u>296,677,461.61</u>	<u></u>	<u>296,677,461.61</u>	<u>218,171,100.84</u>	<u></u>	<u>218,171,100.84</u>

(2) Details of Construction in progress

Name of project	Budget	Opening balance	Increase in the year	Transferred to fixed assets in the year	Other decrease	Closing balance	% of completion	% of budget	Resource of fund
The first phase of the electronic equipment industry park	542,270,000.00	207,387,680.59	70,606,669.43			277,994,350.02	51.26	51.26	Raised funds Self-owned funds
No. 4 and 5 engineering projects (Xin Gang plants)	180,000,000.00		706,677.44			706,677.44	91.99	91.99	Self-owned funds
Xin Gang training Center	16,950,000.00	10,201,958.58	2,851,536.90			13,053,495.48	77.01	77.01	Self-owned funds
Machinery and equipment		581,461.67	4,483,689.32	122,212.32		4,922,353.67			Self-owned funds
Total		218,171,100.84	78,628,573.09	122,212.32		236,677,461.61			

(3) The Company has no capitalization of borrowing costs for the period. The Company made no impairment provision for construction in progress as there is no indication of impairment for the end of the period.

(4) The closing balance of the CIP increased by 35.98% from the opening balance, mainly due to that an electronic equipment industrial park was under construction in the period.

11. Intangible assets

Items	Opening balance	Increase in the year	Decrease in the year	Closing balance
I. Total original cost	<u>245,373,952.65</u>	<u>326,971.11</u>		<u>245,700,923.76</u>
1. Land-use right	79,458,703.57			79,458,703.57
2. Trademark use rights	158,640,000.00			158,640,000.00
3. Computer Software	7,249,544.08	326,971.11		7,576,515.19
4. Patents	25,705.00			25,705.00
II. Total accumulated amortization	<u>168,251,852.13</u>	<u>1,096,463.08</u>		<u>169,348,315.21</u>
1. Land-use right	5,413,036.64	814,949.76		6,227,986.40
2. Trademark use rights	158,430,000.00			158,430,000.00
3. Computer Software	4,400,805.68	280,261.57		4,681,067.25
4. Patents	8,009.81	1,251.75		9,261.56
III. Total accumulated impairment amount	<u>210,000.00</u>			<u>210,000.00</u>
1. Land-use right				
2. Trademark use rights	210,000.00			210,000.00
3. Computer Software				
4. Patents				
IV. Total book value of intangible assets	<u>76,912,100.52</u>			<u>76,142,608.55</u>
1. Land-use right	74,045,666.93			73,230,717.17
2. Trademark use rights				
3. Computer Software	2,848,738.40			2,895,447.94
4. Patents	17,695.19			16,443.44

12. Deferred Income Tax Assets and Deferred Income Tax Debts

(1) Details of deferred income tax assets

Items	Closing Balance		Opening Balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Provision for asset impairment				
Salaries payable	365,949.16	2,439,661.08	365,949.16	2,439,661.08
Depreciation of fixed assets	32,884.32	219,228.86	40,595.38	270,635.92
Total	<u>398,833.48</u>	<u>2,658,889.94</u>	<u>406,544.54</u>	<u>2,710,297.00</u>

(2) Details of deferred income tax liability

Items	Closing Balance		Opening Balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Long-term payables	193,941.52	1,292,943.44	233,201.14	1,554,674.26
Total	<u>193,941.52</u>	<u>1,292,943.44</u>	<u>233,201.14</u>	<u>1,554,674.26</u>

13. Details of Provision for Impairment of Assets

Items	Opening balance	Provision in the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
1. Total provision for bad debt	77,064,156.72	213,306.89	1,082,416.62	5,484,050.34	6,566,466.96	70,710,996.65
Including: Accounts receivable	60,165,748.79	1,356.67	720,466.40	4,978,211.59	5,698,677.99	54,468,427.47
Other receivables	10,932,971.60	211,950.22	361,950.22	505,838.75	867,788.97	10,277,132.85
Prepayment	5,965,436.33					5,965,436.33
2. Total provision for impairment of inventories	16,058,196.73	9,733,046.01				25,791,242.74
Including: Raw materials	4,820,487.11	1,889,487.41				6,709,974.52
Work in Progress	2,316,694.58					2,316,694.58
Commodity inventories	7,270,207.98	7,843,558.60				15,113,766.58
Delivered Commodities	1,650,807.06					1,650,807.06
3. Total provision for impairment of long term equity investment	2,956,636.87			2,756,525.00	2,756,525.00	200,111.87
4. Total provision for impairment of fixed assets	3,133,225.88					3,133,225.88
Including: 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
5. Provision for impairment of intangible assets	210,000.00					210,000.00
Including: Trademark	210,000.00					210,000.00
Total	<u>99,422,216.20</u>	<u>9,946,352.90</u>	<u>1,082,416.62</u>	<u>8,240,575.34</u>	<u>9,322,991.96</u>	<u>100,045,577.14</u>

14. Restricted Assets

Restricted Assets	Opening balance	Increase In the year	Decrease In the year	Closing balance
I. Fixed assets to be guaranteed				
Pledged fixed assets				
Pledged intangible assets				
II. Other reasons for restricted assets				
Bank bill payables deposits	28,814,185.13	43,435,042.27	45,718,560.94	26,530,666.46
Contract guarantee deposits	42,032,043.40	19,700,918.87	11,635,942.70	50,097,019.57
	<u>70,846,228.53</u>	<u>63,135,961.14</u>	<u>57,354,503.64</u>	<u>76,627,686.03</u>

15. Short Term Loans

(1) Details of Short term loans

Type of loan	Closing Balance	Opening Balance
Credit loan	70,000,000.00	
Guaranteed loan	30,000,000.00	99,000,000.00
Total	<u>100,000,000.00</u>	<u>99,000,000.00</u>

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

(3) Details of guaranteed loan of the Company and its subsidiaries, please refer to Note X 3 (5).

(4) The weighted average interest rate of the short term loans for the year is 6.06% (January to June 2013: 6.32%).

16. Bills payable

Types of Bills	Closing Balance	Opening Balance	Amount due in the next accounting period
Bank acceptance notes	64,615,113.64	61,925,836.17	64,615,113.64
Total	<u>64,615,113.64</u>	<u>61,925,836.17</u>	<u>64,615,113.64</u>

17. Accounts payable

(1) Details of accounts payable

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	485,308,462.28	80.19	484,491,116.97	83.55
1-2 years	61,402,755.83	10.15	42,018,458.90	7.25
2-3 years	12,066,700.85	1.99	6,407,003.09	1.10
More than 3 years	46,447,595.43	7.67	46,943,459.41	8.10
Total	605,225,514.39	100	579,860,038.37	100

(2) The closing balance of accounts payable includes RMB2,167,835.57 due to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company (the opening balance: RMB3,677,933.51).

(3) The closing balance of accounts payable included RMB52,987,122.13 (the opening balance: RMB40,908,825.01) due to related parties. Please refer to Note X 3 (7) for disclosure of relevant related transactions.

(4) Other payables in large amount with aging over one year.

Name of creditor	Amount	Reason for failure to repay	Whether will be repaid after the balance sheet day
Nanjing Panda Electronics Import/Export Co., Ltd.	46,293,000.59	Unsettled	No
SBS Science & Technology Co., Ltd.	6,153,244.80	Unsettled	No
Panda Electronics Group Limited	2,167,835.57	Unsettled	No
Shanghai Changhe Information Technology Co., Ltd. (上海長合信息技術有限公司)	3,679,085.80	Unsettled	No
Thales Software Systems (Shanghai) Co., Ltd.	2,275,150.97	Unsettled	No
Jiangyin Ding Yuan Technology Co., Ltd. (江陰鼎源科技有限公司)	2,176,046.90	Unsettled	No
Beijing Gold Barron Broadcast and TV Technology Co., Ltd.	2,043,408.48	Unsettled	No
Nanjing Jin Dian Industrial Products Co., Ltd. (南京金典工業用品有限公司)	1,924,303.54	Unsettled	No
Shaoxing Four-dimensional Plastic Engineering Co., Ltd.	1,111,131.92	Unsettled	No
Nanjing Hua Hao Buildings Technology Co., Ltd. (南京華濤樓宇科技有限公司)	1,100,684.00	Unsettled	No
	68,923,892.57		

18. Advances from customers

(1) Details of Advances from customers

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	109,787,134.43	81.10	78,777,188.78	80.15
1-2 years	22,557,611.46	16.66	15,288,700.62	15.55
2-3 years	911,472.68	0.67	1,864,977.54	1.90
More than 3 years	2,123,923.60	1.57	2,354,539.85	2.40
Total	<u>135,380,142.17</u>	<u>100</u>	<u>98,285,406.79</u>	<u>100</u>

(2) The closing balance of advances from customers includes shareholder with 36.63% of shareholding in voting power in Panda Electronics Group Limited amounted to RMB2,980,000.00 (the closing balance of 2013:0). Please refer to Note X3(7) for disclosure of the related transaction.

(3) The closing balance of advances from customers includes RMB19,179,447.07 (the closing balance of 2013: RMB14,757,660.38) due to related parties. Please refer to Note X3(7) for disclosure of relevant related transactions.

(4) The advances from customers with aging over 1 year had not been settled, mainly due to that the receipt of advance is more than the unsettled payment subject to the construction progress.

(5) The closing balance of advances from customers increased by 37.74% from the opening balance, mainly due to the increased amount in the receipt of advance of the construction.

19. Salaries payable

Items	Opening Balance	Increase	Decrease	Closing Balance
1. Salaries and bonus	11,313,858.53	104,532,338.71	110,802,871.95	5,043,325.29
2. Expenses for employee benefits		8,139,825.81	8,139,825.81	
3. Expenses for social security	2,047,747.03	34,468,131.97	31,858,902.97	4,656,976.03
Including: Medical insurance	276,294.46	8,536,835.52	7,965,180.40	847,949.58
Pension fund	1,719,175.67	23,314,978.90	21,460,825.83	3,573,328.74
Unemployment insurance	20,427.45	1,482,022.22	1,354,023.72	148,425.95
Injury insurance	12,249.85	523,631.22	506,519.68	29,361.39
Maternity insurance	19,599.60	610,664.11	572,353.34	57,910.37
4. Housing reserve fund	799,181.30	17,545,139.56	15,439,384.92	2,904,935.94
5. Trade union funds and employee education funds	2,191,121.42	1,842,983.29	1,561,722.16	2,472,382.55
6. Compensation for employment termination	108,000.00	76,446.00	184,446.00	
7. Laid-off benefits	15,379,114.25	34,597.11	2,231,768.89	13,181,942.47
8. Others	34,690.00	102,420.00	81,520.00	55,590.00
Total	<u>31,873,712.53</u>	<u>166,741,882.45</u>	<u>170,300,442.70</u>	<u>28,315,152.28</u>

- (1) There are not any salaries payable in arrears and all the salaries, bonuses and benefits (retired employees excluded) are paid to employees in line with the Company's payment schedule.
- (2) Laid-off benefits are the total accrued expenses of internal laid-off staff since 1 July 2014 to the retirement date, including the unrecognized financing expenses amounting to RMB1,291,633.82 (the closing balance of 2013: RMB1,441,578.41). The unrecognized financing cost is amortized by the effective interest method.

20. Taxes payable

Items	Tax Rate	Closing Balance	Opening Balance
Value-added tax	Refer to Note VI: Taxation	(5,563,367.89)	10,722,486.48
Business tax	Refer to Note VI: Taxation	(54,681.51)	653,434.68
Urban development tax	Refer to Note VI: Taxation	435,136.15	706,236.80
Education surcharges	Refer to Note VI: Taxation	319,973.48	962,786.66
Enterprise income tax	Refer to Note VI: Taxation	3,923,660.53	6,243,994.88
Individual income tax		982,246.23	617,166.24
Others		14,839.17	35,797.56
Total		57,806.16	19,941,903.30

The closing balance of tax payable decreased by 99.71% from the opening balance is due to the substantial payment of remaining value-added tax at the closing balance of parts of subsidiaries.

21. Interest Payable

Items	Closing Balance	Opening Balance
Short-term loan interest	116,666.67	83,333.33
Total	116,666.67	83,333.33

The closing balance of Interest Payable increased by 40.00% from the opening balance mainly due to the increase in the receipt of advance in the interests from the borrowing of the Bank at the closing balance.

22. Other payables

(1) Details of other payables

Aging	Closing Balance		Opening Balance	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	58,309,910.95	41.69	57,316,257.56	50.00
1-2 years	54,577,189.30	39.02	20,293,108.35	17.70
2-3 years	1,492,536.77	1.07	2,760,012.25	2.41
More than 3 years	25,478,138.62	18.22	34,262,111.31	29.89
Total	139,857,775.64	100	114,631,489.47	100

- (2) The closing balance of other payables included RMB12,431,044.09 payables to Panda Electronics Group Limited, the shareholder with 36.63% of shareholding with voting power in the Company, and RMB34,000,000.00 payables to China Electronic Corporation, the shareholder with 70.00% of shareholding with voting power in Nanjing Electronic Information Industrial Corporation.
- (3) The closing balance of other payables includes RMB51,918,038.70 payables to related parties (the closing balance of 2013: RMB49,514,036.36). Please refer to Note X 3 (7) for disclosure of relevant related transactions.
- (4) Other payables in large amount

Name of creditor	Amount	Nature or (content)
China Electronics Corporation	34,000,000.00	Receivable and Payable
Panda Electronics Group Limited	12,431,044.09	Receivable and Payable
Nanjing Economic and Technological Development Zone Management Committee	4,424,425.48	Deposits
Multi-Standard Mobile Internet Information Safety Special Project	4,500,000.00	Deposits
Nanjing Changxin Technology Co., Ltd.	4,370,255.77	Deposits
Nanjing Zhongdian Panda Property Management Co., Ltd.	2,252,451.15	Deposits
Jiangsu Tafeng Information Technology Co., Ltd.	1,736,697.15	Deposits
Suqian Wanlong Information Industry Co., Ltd.	1,442,775.22	Deposits
Dongying Guanlin Intelligence Technology Co., Ltd.	1,000,000.00	Deposits
Total	<u>66,157,648.86</u>	

23. Share Capital

Items	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Shares subject to trading moratorium				
State owned shares				
State-owned legal person shares	115,415,686.00		76,200,000.00	39,215,686.00
Other domestic shares	143,407,843.00		143,407,843.00	
Foreign shares				
Subtotal	<u>258,823,529.00</u>		<u>219,607,843.00</u>	<u>39,215,686.00</u>
Shares not subject to trading moratorium				
RMB denominated ordinary shares	413,015,000.00	219,607,843.00		632,622,843.00
China-listed foreign shares				
Overseas-listed foreign shares	242,000,000.00			242,000,000.00
Others				
Subtotal	<u>655,015,000.00</u>	<u>219,607,843.00</u>		<u>874,622,843.00</u>
Total	<u>913,838,529.00</u>	<u>219,607,843.00</u>	<u>219,607,843.00</u>	<u>913,838,529.00</u>

24. Capital Reserve

Items	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Capital premium	1,488,467,981.18	1,754,349.40		1,490,222,330.58
Other capital reserve	<u>13,498,333.16</u>		<u>900,476.07</u>	<u>12,597,857.09</u>
Total	<u>1,501,966,314.34</u>	<u>1,754,349.40</u>	<u>900,476.07</u>	<u>1,502,820,187.67</u>

- (1) Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company made an acquisition of 30% minority shareholding in its subsidiary, Nanjing Panda Electromechanical Instruments Technology Co., Ltd., with capital amount less than the increase in the capital reserve of RMB1,754,349.40 of minority shareholding for the year at the acquisition date.
- (2) Nanjing Panda Technology Equipment Co., Ltd., a subsidiary of the Company is cancelled during the period and will not be incorporated into the consolidation scope. The company deducted the capital reserve of RMB900,476.07.

25. Surplus Reserve

Items	Opening Balance	Increase in the year	Decrease in the year	Closing Balance
Statutory surplus reserve	161,569,383.83			161,569,383.83
Discretionary surplus reserve	<u>70,376,641.33</u>			<u>70,376,641.33</u>
Total	<u>231,946,025.16</u>			<u>231,946,025.16</u>

26. Undistributed Profit

Items	Amount for the period	Amount for last period
Closing balance of previous year	474,947,172.20	342,614,884.56
Add: Changes in accounting Policies		
Correction of previous errors		
Opening balance of the period	474,947,172.20	342,614,884.56
Add: Consolidated net profit attributable to parent company	85,116,408.79	83,756,905.51
Compensation of loss from surplus reserve		
Other transfer-in		
Less: Transfer to statutory surplus		
Reserve		
Transfer to discretionary surplus		
Reserve		
Distribution to shareholders	60,313,342.91	39,300,900.00
Closing balance of the period	499,750,238.08	387,070,890.07

According to the profit distribution plan released on the twelfth of the Seventh conference of the Board of Directors and the Annual General Meeting of 2013, the profit was distributed at the base of the share capital of 913,838,529 as at 31 December 2013. Every 10 shares will be paid by RMB0.66 (Tax included) cash dividends, amounting to RMB60,313,342.91 totally.

27. Operating Income and Cost

(1) Income from principal activities and other activities

Items	Amount for the period	Amount for last period
Income from principal activities	1,152,300,086.78	900,872,686.44
Income from other activities	12,208,331.51	28,875,339.22
Total operating income	1,164,508,418.29	929,748,025.66
Cost of principal activities	997,881,880.17	778,662,846.16
Cost of other activities	10,057,252.33	12,538,858.08
Total operating cost	1,007,939,132.50	791,201,704.24

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

Business segment	Amount for the period		
	Income from principal activities	Cost of principal activities	Profit of principal activities
Electronic equipment products	657,183,282.30	573,538,491.71	83,644,790.59
Electronic manufacture products	440,435,418.48	382,840,833.68	57,594,584.80
Consumer electronics products	26,421,294.24	22,476,889.90	3,944,404.34
Others	28,260,091.76	19,025,664.88	9,234,426.88
Total	1,152,300,086.78	997,881,880.17	154,418,206.61

Business segment	Amount for last period		
	Income from principal activities	Cost of principal activities	Profit of principal activities
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 electronics 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

(3) **The Company's major business area is in Nanjing.**

(4) **Sales revenue from the largest five customers totaled RMB418,953,484.84, accounting for 35.98% of total sales revenue of the period.**

28. **Sales tax and surcharges**

Items	Amount for the period		Amount for last period	
	Calculation basis	Amount	Calculation basis	Amount
Business tax	5% of lease income and others	6,641,212.32	5% of lease income and others	4,164,205.89
Urban development tax	7% of turnover tax	3,037,739.23	7% of turnover tax	2,543,178.54
Education surcharges	3%-5% of turnover tax	1,972,663.62	3%-5% of turnover tax	1,085,683.58
Total		11,651,615.17		7,793,068.01

Amount of Business tax and surcharges increased by 49.51% from the last period, mainly due to the increase in the revenue from construction and installation services, and the increase in the payment of business tax.

29. Selling expenses

Items	Amount for the period	Amount for last period
Salaries and Benefits	5,494,961.40	6,234,857.39
Transport fee	3,995,275.90	2,735,352.42
Advertising fee	2,007,182.37	6,582,306.91
Entertainment	1,641,428.06	1,651,832.20
Labor expenses	1,560,607.75	911,809.45
Travelling expenses	1,014,589.90	968,296.70
Office expenses	492,418.13	553,621.63
Others	1,157,312.58	635,114.68
Total	17,363,776.09	20,273,191.38

30. General and administrative expenses

Items	Amount for the period	Amount for last period
R&D expenses	60,142,050.72	48,696,272.69
Salaries and benefits and insurance for management staff	50,115,010.63	50,942,638.90
Depreciation and amortization	10,435,868.30	11,417,331.97
Listing, auditing and consulting expenses	6,874,441.43	4,875,161.99
Entertainment and travel expenses	5,213,289.35	6,817,059.95
Office expenses, telephone fees and meeting fees	3,796,552.61	4,026,089.73
Labour expenses	2,332,761.72	1,738,416.53
Tax	2,193,322.53	3,109,144.08
Utilities	2,009,425.64	1,458,194.91
Repair costs	1,314,042.17	967,189.26
Others	5,398,843.58	3,952,985.41
Total	149,825,608.68	138,000,485.42

31. Financial expenses

Items	Amount for the period	Amount for last period
Interest expenses	1,503,350.02	16,523,309.25
Less: Interest income	4,849,263.39	3,512,278.14
Exchange loss	451,663.24	303,560.65
Less: Exchange gain	86,863.52	318,132.49
Bank charges	242,519.68	188,437.51
Unrecognized financing expenses	149,944.59	234,261.51
Others		37,272.53
Total	(2,588,649.38)	13,456,430.82

The amount of financial expenses for the period decreased by 119.24% compared with the amount of the last period, mainly due to the substantial decrease in average short-term borrowing.

32. Assets Impairment Loss

Items	Amount for the period	Amount for last period
Bad debt losses	(869,109.73)	(911,261.87)
Loss from inventory impairment	9,733,046.01	3,125,694.07
Total	<u>8,863,936.28</u>	<u>2,214,432.20</u>

Assets impairment loss for the period increased by 300.28% from that of the last period, due to the increase in provision for diminution in value of inventories calculated according to the standard.

33. Investment Income

(1) Listed by Items

Items	Amount for the period	Amount for last period
Share of profit of investees under equity method of accounting	78,748,338.16	112,036,504.14
Investment income on disposal of subsidiaries	4,534,890.92	
Investment income on financial products	10,443,026.03	
Total	<u>93,726,255.11</u>	<u>112,036,504.14</u>

(2) Investment income listed by investees

Name of Investees	Amount for the period	Amount for last period	Remarks
Nanjing Ericsson Panda Communication Co., Ltd.	21,813,633.79	29,726,494.46	
Beijing SE Putian Mobile Communications Co., Ltd. ("BMC")	45,546,953.59	74,725,197.13	
Shenzhen Jinghua Electronics Co., Ltd.	11,387,750.78	7,584,812.55	
Total	<u>78,748,338.16</u>	<u>112,036,504.14</u>	

- ① 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.

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

- ② There was no material restriction on the remittance of the investment income to the Company.

34. Non-operating Income

(1) Details of Non-operating income

Items	Amount for the period	Amount for last period	Amount recorded in the current profits and losses
Gains from disposal of non-current assets	25,634.69	327,931.60	25,634.69
Including: Gains from disposal of fixed assets	25,634.69	327,931.60	25,634.69
Governmental subsidy	26,003,113.67	12,216,226.76	24,357,360.00
Net gain from fine payments	28,309.27	1,200.00	28,309.27
Other	166,247.20	489,254.55	166,247.20
	<u>26,223,304.83</u>	<u>13,034,612.91</u>	<u>24,577,551.16</u>
Total	<u>26,223,304.83</u>	<u>13,034,612.91</u>	<u>24,577,551.16</u>

(2) Governmental subsidy

Items	2014	Data sources	Whether related to income/assets
Electronic Equipment Project Research and Development Subsidies	23,800,000.00	Subsidy Proof of Management Committee	related to income
The Software Products VAT Refund	1,645,753.67	Preferential policies of Software Industry and Development of Integrated Circuit Industry	related to income
Subsidy for children care from Nanjing	488,200.00	NJC [2011] No. 8	related to income
Subsidy for Standardization of Transformation and Advancement	50,000.00	SCGM [2012] No. 36	related to income
Rewards for special project of technology	19,160.00	NQK [2013] No.1&3	related to income
	<u>26,003,113.67</u>		
Total	<u>26,003,113.67</u>		

Items	2013	Data sources	Whether related to income/assets
Government grants and allocation	7,960,000.00	QC [2012] No. 383	related to income
Special Funds of Jiangsu Province Scientific and Technological Achievements Transformation	3,000,000.00	Special Funds of Jiangsu Province Scientific and Technological Achievements Transformation Project contract BA2010017	related to income
Subsidy for Energy-saving home appliances	755,250.00	The national basic public service system "twelfth five-year" plan	related to income
The Software Products VAT Refund	164,199.21	Preferential policies of Software Industry and Development of Integrated Circuit Industry	related to income
Government award in Qinhuai District	162,535.00	Department of Qinhuai District	related to income
Subsidy for children care from Nanjing	100,040.00	NJC [2011] No. 8	related to income
Tax rebate for software	58,202.55	Software Enterprise Certificate	related to income
City Technology Bureau IP Implementing Standard Qualified Units Award	16,000.00	NK [2012] No. 262	related to income
Total	<u>12,216,226.76</u>		

- (3) **The amount of non-operating income in the period increased by 101.18% as compared with that of the last period, mainly due to the increase in the revenue from government research and development subsidiaries.**

35. Non-operating Expenses

Items	Amount for the period	Amount for last period	Amount recorded in the current profits and losses
Loss from the disposal of non-current assets	30,465.69	1,644,005.10	30,465.69
Including: loss from disposal of fixed assets	30,465.69	1,644,005.10	30,465.69
Loss from the disposal of other non-current assets			
Donation expenses	35,000.00	25,000.00	35,000.00
Compensation expenses	4,648.86	13,164.83	4,648.86
Others	51,260.92	171,690.55	51,260.92
Total	<u>121,375.47</u>	<u>1,853,860.48</u>	<u>121,375.47</u>

The non-operating expenses for the period 2013 decreased by 93.45% from that of the last period, mainly due to disposal of the fixed assets.

36. Income Tax Expenses

Items	Amount for the period	Amount for last period
Current income tax	5,301,434.18	(4,557,407.51)
Deferred income tax	<u>(31,548.56)</u>	<u>(29,067.76)</u>
Total	<u>5,269,885.62</u>	<u>(4,586,475.27)</u>

The amount of income tax in the period increased by 214.90% as compared with that of the last period, mainly due to proceeds from the tax rebate of income tax.

37. Basic Earnings per Share and Diluted Earnings per Share

Items	Amount for the period	Amount for last period
Basic earnings per share	0.0931	0.1265
Diluted earnings per share	<u>0.0931</u>	<u>0.1265</u>

Note:

- (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

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

Including: "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.

- (2) Calculation of diluted earnings per share

Diluted earnings per share = $P_1 / (S_0 + S_1 + S_i \times M_i - M_0 - S_j \times M_j - M_0 - S_k + \text{The weighted average number of ordinary shares, increased from subscription warrant share option and convertible bond})$

Including, "P₁" represents net profit attributable to holders of ordinary shares of the Company. Considering influence from all diluted potential ordinary shares, the shares shall be adjusted in accordance with Accounting Standards for Business Enterprises and relevant regulations. In calculating diluted earnings per share, the company shall take into account the effect of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders or the net profit attributable to ordinary shareholders with deduction of nonrecurring gains and losses as well as the weighted average number of shares according to their degree of sequence were included in diluted earnings per share diluted, up to diluted earnings per share becomes minimum.

38. Cash Received Relating to Other Operating Activities

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

Items	Amount for the period	Amount for last period
Government subsidy	31,919,160.00	20,526,226.76
Cash receipts from Quality deposit & Performance deposit	11,635,942.70	3,705,611.35
Interest Income	4,849,263.39	3,512,278.14
Cash receipts from Acceptance deposit & Commitment deposit	2,968,139.67	119,853,782.60
Others	494,959.17	350,044.40
Total	51,867,464.93	147,947,943.25

39. Cash Paid Relating to Other Operating Activities

Among the "Cash Paid Relating to Other Operating Activities", the items with large amount are listed as follows:

Items	Amount for the period	Amount for last period
Research & development expenses	24,354,014.11	48,696,272.69
Receipt of deposit of commitment	19,700,918.87	
Agent fee	6,874,441.43	4,979,199.24
Office expenses	5,278,574.06	6,422,878.54
Entertainment expenses	5,072,710.50	7,216,923.17
Transportation fee	4,433,164.09	2,735,352.42
Service fee	3,893,369.47	2,650,225.98
Travelling expenses	2,796,596.81	2,220,265.68
Advertising fee	2,007,182.37	6,582,306.91
Others	2,553,707.74	5,193,439.03
Total	76,964,679.45	86,696,863.66

40. Other Cash Receipt in Connection with Investment Activities

Items	Amount for the period	Amount for last period
Financial product and its benefits	1,345,443,026.03	
Total	1,345,443,026.03	

41. Other Cash paid in Connection with Investment Activities

Items	Amount for the period	Amount for last period
Financial product	1,730,000,000.00	
Total	1,730,000,000.00	

Note1. Breakdown of substantial amount of single accounts receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Binhai County Broadcast and Television Bureau	26,872,100.00	2,257,010.79	8.40	Current value of the expected future cash flow is lower than its carrying value
Sheyang County Broadcast and Television Department	19,505,575.00			Expected can be recovered
Funing County Broadcasters	10,076,508.70			Expected can be recovered
Nanjing Qixia District Cable Management Station	9,256,000.00			Expected can be recovered
International Far Eastern Leasing Co., Ltd.	5,940,000.00			Expected can be recovered
Shenzhen Foremost Environmental Science and Technology Co., Ltd.	5,686,500.00	5,686,500.00	100.00	Expected can not be recovered
Sihong County Broadcast and Television Information Network Co.Ltd.	5,006,048.00			Expected can be recovered
Total	<u>82,342,731.70</u>	<u>7,943,510.79</u>		

Note2. Unsubstantial amount of accounts receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for provision
Ganyu County Broadcast and Television Network Development Co., Ltd.	3,725,240.96			Expected can be recovered
Nanjing Panda Handa Technology Co., Ltd.	2,982,796.09			Expected can be recovered
Education Bureau of Huaiyin District, Huai'an City	2,225,700.00			Expected can be recovered
Guannan Broadcast and Television Network Co., Ltd.	2,220,000.00			Expected can be recovered
Jiangsu and Guangdong TV Information Network Chronicle Co., Ltd. Yancheng Branch	2,164,110.00			Expected can be recovered
Peixian Broadcasting and Television Information Network Co., Ltd.	1,950,840.00			
Nanjing Broadcast and Television Network Co., Ltd.	1,338,112.20			
Feng County Broadcast and Television Information Network Co.Ltd.	1,141,325.00			
Others	3,990,571.99	598,656.84	15.00	The expected future cash flow is less than its carrying value
Total	<u>21,738,696.24</u>	<u>598,656.84</u>		

(2) The aging analysis of accounts receivable

Ageing	Closing balance				Opening balance			
	Amount	Percentage	Provision		Amount	Percentage	Provision	
			for Bad debt	of provision			for Bad debt	of provision
		%	%		%	%	%	
Within 1 year	56,098,985.31	53.90		62,263,730.22	60.37			
1-2 years	32,232,375.00	30.97		24,512,680.96	23.77			
2-3 years	9,503,773.12	9.13	2,295,873.12	24.16	10,110,200.00	9.80	2,292,100.00	22.67
More than 3 years	6,246,294.51	6.00	6,246,294.51	100.00	6,250,067.63	6.06	6,250,067.63	100.00
Total	<u>104,081,427.94</u>	<u>100</u>	<u>8,542,167.63</u>		<u>103,136,678.81</u>	<u>100</u>	<u>8,542,167.63</u>	

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

Name of debtor	Amount	Percentage in the total value of the accounts receivable	Ageing
		%	
Binhai County Broadcast and Television Bureau	26,872,100.00	25.82	Within 3 years
Sheyang County Broadcast and Television department	19,505,575.00	18.74	Within 2 years
Nanjing Qixia District Cable Management Station	10,076,508.70	9.68	Within 1 year
Funing County Broadcasters	9,256,000.00	8.89	Within 1 year
International Far Eastern Leasing Co., Ltd.	5,940,000.00	5.71	1-2 years
Total	<u>71,650,183.70</u>	<u>68.84</u>	

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

(5) The closing balance of accounts receivable includes RMB 3,690,496.09 due from related parties, representing 3.55% of the total accounts receivable.

b) Other Receivables

(1) Breakdown of other receivables by categories

Items	Balance	Closing balance		Percentage of provision for bad debt
		Percentage	Provision for bad debt	
			%	
Substantial amount of single other receivables with specific provision (note 1)	265,322,890.36	91.64	12,236,736.72	4.61
Other unsubstantial amount of other receivables with specific provision (note 2)	<u>24,203,977.49</u>	<u>8.36</u>	<u>3,969,729.83</u>	16.40
Total	<u><u>289,526,867.85</u></u>	<u><u>100</u></u>	<u><u>16,206,466.55</u></u>	
		Opening balance		
Items	Balance	Percentage	Provision for bad debt	Percentage of provision for bad debt
		%		%
Substantial amount of single other receivables	324,354,272.76	95.37	19,098,862.15	5.89
Other unsubstantial amount of other receivables	<u>15,735,147.51</u>	<u>4.63</u>	<u>4,303,362.70</u>	27.35
Total	<u><u>340,089,420.27</u></u>	<u><u>100</u></u>	<u><u>23,402,244.85</u></u>	

Substantial amount of single 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.

Note1. Substantial amount of single other receivable with specific provision

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for the provision
Nanjing Baixia High-tech Industrial Park Investment and Development Co., Ltd.	82,400,000.00			Expected can be recovered
Galant Limited	57,920,550.00			Expected can be recovered
Nanjing Panda Electronic Equipment Co., Ltd.	43,810,796.35	3,520,147.19	8.03	Current value of the expected future cash flow is lower than its carrying value
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	32,014,609.80	1,000,000.00	3.12	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda International Communication Systems Co.,Ltd.	15,705,045.29	1,570,504.53	10.00	Current value of the expected future cash flow is lower than its carrying value
Nanjing Panda Mechanical Manufacturing Co., Ltd.	9,500,000.00	225,000.00	2.37	Current value of the expected future cash flow is lower than its carrying value
Villagers Committee of Sifang Village Shimenkan Town Baixia District Nanjing	9,423,000.00			Expected can be recovered
Nanjing Panda Information Industry Co.,Ltd.	7,547,480.75	18,142.04	0.24	Expected cannot be recovered
Nanjing Panda Machinery Co.,Ltd.	7,001,408.17	5,902,942.96	84.31	Current value of the expected future cash flow is lower than its carrying value
Total	<u>265,322,890.36</u>	<u>12,236,736.72</u>		

Note2. Unsubstantial amount of single other receivable with specific provision.

Name of debtor	Amount	Provision for bad debt	Percentage of provision for bad debt %	Reasons for the provision
Nanjing Panda Electronic Manufacture Co., Ltd.	4,125,166.54	129,500.00	3.14	The expected future cash flow is less than its carrying value
Nanjing Panda Information Industry Co., Ltd.	3,996,668.59			Expected can be removed
Nanjing Panda Power supply Technology Co., Ltd.	1,352,772.92	1,352,772.92	100.00	Expected cannot be recovered
Others	14,729,369.44	2,487,466.91	16.89	The expected future cash flow is less than its carrying value
Total	<u>24,203,977.49</u>	<u>3,969,729.83</u>		

(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 year	171,572,538.96	59.26	2,197,866.54	1.28	229,880,060.78	67.60	1,972,866.54	0.86
1-2 years	49,263,914.79	17.02	4,398,059.75	8.93	30,311,036.96	8.91	1,257,050.69	4.15
2-3 years	2,333,549.02	0.80	176,887.21	7.58	1,529,707.15	0.45	127,564.18	8.34
3-5 years	42,037,412.37	14.52	2,789,550.74	6.64	64,528,686.07	18.97	6,611,716.93	10.25
Over 5 years	24,319,452.71	8.40	6,644,102.31	27.32	13,839,929.31	4.07	13,433,046.51	97.06
Total	289,526,867.85	100	16,206,466.55		340,089,420.27	100	23,402,244.85	

(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 accounts receivable %	Ageing
Nanjing Baixia High- tech Industrial Park Investment and Development Co., Ltd.	82,400,000.00	28.46	Within 2 years
Galand Limited	57,920,550.00	20.01	Within 5 years
Nanjing Panda Electronic Equipment Co., Ltd.	43,810,796.35	15.13	Within 2 years
Nanjing Huage Appliance and Plastic Industrial Co., Ltd.	32,014,609.80	11.06	Within 1 year
Nanjing Panda International Communication Systems Co., Ltd.	15,705,045.29	5.42	Over 2 years
Total	231,851,001.44	80.08	

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

(5) The closing balance of other receivables included RMB188,713,038.75 due from related parties, representing 65.18% of the total other receivables.

c) Long-term Equity Investment

(1) Details of long-term equity investment

Item	Opening balance	Increase In the year	Decrease In the year	Closing balance
Investment in subsidiaries	1,118,504,425.00	191,000,000.00	5,031,944.58	1,304,472,480.42
Investment in associated companies	491,910,862.53	78,748,338.16	13,129,203.60	557,529,997.09
Other equity investment	3,650,000.00			3,650,000.00
Less: provision for impairment of long term investment	21,436,944.58		5,031,944.58	16,405,000.00
Total	1,592,628,342.95	269,748,338.16	13,129,203.60	1,849,247,477.51

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 RMB 3,650,000.00 of the Company, accounting for 7.3% of the Company's investment and no impairment occurred in the closing year.

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

Name of investee	Investment cost	Opening Balance	Investment amount	Increase/	Cash dividends Distributed	Closing balance
			increased (less) the equity transfer for the year)	decrease of the investee's equity		
Beijing SE Putian Mobile Communications Co., Ltd.	50,361,373.68	124,595,800.00		45,546,953.59		170,142,753.59
Nanjing Huaxian High Technology Co., Ltd.	10,000,000.00					
Hua Fei Color Display Systems Co., Ltd.	392,892,722.42					
MPower Batteries (Nanjing) Co., Ltd.	4,200,000.00					
Nanjing Ericsson Panda Communication Co., Ltd.	60,863,279.60	267,452,280.00		21,813,633.79		289,265,913.79
Shenzhen Jinghua Electronics Co., Ltd.	69,687,437.75	99,862,782.53		11,367,750.78	13,129,203.60	96,121,329.71
Nanjing Flextronics Panda Mobile Terminals Co. Ltd.	34,769,384.00					
Total	622,774,177.45	491,910,862.53		78,748,338.16	13,129,203.60	557,529,997.09

(3) Long-term equity investment accounted for at cost

Name of investee	Initial investment	Opening balance	Increase in the year	Decrease in the year	Closing balance	Dividend
	Subsidiaries					
Nanjing Panda Accurate Machinery Co., Ltd.	5,627,934.12	5,627,934.12			5,627,934.12	
Nanjing Panda Technology Equipment Co., Ltd.	5,031,944.58	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 Engineering Plant	30,042,016.46	30,042,016.46			30,042,016.46	
Nanjing Panda Information Industry Co., Ltd.	176,736,513.98	176,736,513.98			176,736,513.98	
Nanjing Panda Electronic Manufacture Co., Ltd.	111,221,994.10	111,221,994.10			111,221,994.10	
Nanjing Panda Power Supply Technology Co., Ltd.	8,750,000.00	8,750,000.00			8,750,000.00	
Nanjing Guanghua Electronics Plastic Casings Factory	8,271,096.45	8,271,096.45			8,271,096.45	
Nanjing Panda International Communication Systems Co., Ltd.	7,655,000.00	7,655,000.00			7,655,000.00	
Nanjing Panda Electronic Technology Development Co., Ltd.	645,000,000.00	550,000,000.00	95,000,000.00		645,000,000.00	
Nanjing Panda Communication Technology Co., Ltd.	100,018,000.00	48,585,734.28	50,000,000.00		98,585,734.28	
Nanjing Panda Industrial Enterprise Co., Ltd.	20,000,000.00	20,000,000.00			20,000,000.00	
Nanjing Panda Electronic Equipment Co., Ltd.	190,000,000.00	144,000,000.00	46,000,000.00		190,000,000.00	
Total	1,310,936,690.72	1,118,504,425.00	191,000,000.00	5,031,944.58	1,304,472,480.42	

(4) Impairment provision of long-term equity investment

Name of investee	Opening balance	Provision during the year	Decrease in the year			Closing balance
			Reversal	Write-off	Total	
Nanjing Panda Power Supply Technology Co., Ltd.	8,750,000.00					8,750,000.00
Nanjing Panda International Communication Systems Co., Ltd.	7,655,000.00					7,655,000.00
Nanjing Panda Technology Equipment Co., Ltd.	5,031,944.58			5,031,944.58	5,031,944.58	
Total	21,436,944.58			5,031,944.58	5,031,944.58	16,405,000.00

d) Operating Income and Operating Cost

(1) Income from principal business and other business

Items	Amount for the period	Amount for the same period last year
Income from principal business	37,237,381.95	44,229,924.81
Income from other business	5,173,899.22	10,883,054.49
Total income from operation	42,411,281.17	55,112,979.30
Cost of principal business	25,748,689.27	32,987,029.51
Cost of other business	87,738.69	306,488.16
Total operating cost	25,836,427.96	33,293,517.67

(2) **Income cost and profit from principal operation of business segments**

Business segment	Amount for the period		
	Income from principal business	Cost of principal business	Profit of principal business
Consumer electronics products	20,712,706.77	15,657,976.95	5,054,729.82
Electronic equipment products	3,735,992.36	3,717,766.10	18,226.26
Other	12,788,682.82	6,372,946.22	6,415,736.60
Total	<u>37,237,381.95</u>	<u>25,748,689.27</u>	<u>11,488,692.68</u>

Business segment	Amount for the same period last year		
	Income from principal business	Cost of principal business	Profit of principal business
Consumer electronics 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
Other	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>

(3) **The company's main business area is in Nanjing area.**

(4) **Sales revenue from the largest five customers totaled RMB 37,025,306.58 in the period, accounting for 87.30% of total sales revenue for the year.**

e) **Investment Income**

(1) **According to the program listed**

Source of investment income	Amount for the period	Amount for the same period last year
Long-term equity investment income accounted for using equity method	78,748,338.16	112,036,504.14
Income on wealth management products investments	9,828,190.41	
Total	<u>88,576,528.57</u>	<u>112,036,504.14</u>

(2) Long-term equity investment income accounted for using equity method

Name of the invested entity	Amount for the period	Amount for the same period last year	Notes
Nanjing Ericsson Panda Communication Co., Ltd.	21,813,633.79	29,726,494.46	
Beijing SE Putian Mobile Communications Co., Ltd.	45,546,953.59	74,725,197.13	
Shenzhen Jinghua Electronics Co., Ltd.	11,387,750.78	7,584,812.55	
Total	<u>78,748,338.16</u>	<u>112,036,504.14</u>	

- ① 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.

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

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

f) Cash flow Supplementary Information

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

Items	Amount for the period	Amount for the same period last year
1, Reconciliation of net profit to net cash flows from operating activities:		
Net profit	30,220,748.49	56,439,664.05
Add: Provision for asset impairment	(361,950.22)	(768,201.45)
Depreciation of fixed assets	8,673,586.05	9,271,993.57
Amortization of intangible assets	410,273.92	736,317.82
Amortization of long term deferred expenses		
Loss arising from disposal of fixed assets, intangible assets and other long term assets (gains are represented by "--")		
Loss from fixed assets scrapped (gains are represented by "--")	(6,216.66)	(53,026.53)
Loss from change in fair value (gains are represented by "--")		
Financial expense (gains are represented by "--")	340,000.00	12,565,584.43
Loss on investment (gains are represented by "--")	(88,576,528.57)	(112,036,504.14)
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 "--")	912,063.53	170,653.68
Decrease in trade receivables (Increase is represented by "--")	(19,176,943.71)	60,588,176.76
Increase in trade payables (Decrease is represented by "--")	14,428,871.52	(217,665,888.15)
Others		
Net cash flows from operating activities	(53,136,095.65)	(190,751,229.96)
2, Material investment and financial activities not involving cash:		
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 year	287,417,856.21	1,348,721,041.13
Less: cash balance as at beginning of the year	890,098,522.88	79,348,878.62
Add: balance of cash equivalents as at the end of the year		
Less: balance of cash equivalents as at the beginning of the year		
Net increase in cash and cash equivalents	(602,680,666.67)	1,269,372,162.51

(2) **Information on Cash and Cash Equivalents**

Items	Amount for the period	Amount for the same period last year
I. Cash	287,417,856.21	1,348,721,041.13
Including: Cash on hand	248,893.70	227,324.43
Bank deposit available for payments at any time	287,168,962.51	1,348,493,716.70
Other cash fund available for payment at any time		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	287,417,856.21	1,348,721,041.13

X. RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

a) **Related parties**

i. **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 economy and technology development zone	Manufacture	RMB 1,266,060,000	36.63	36.63

The actual controller of the Company is China Electronics Corporation.

ii. **Subsidiaries of the Company**

Name of subsidiaries	Code of Organization	Legal Representative	Registered Address	Nature of Business	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	Services	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	72	72
Nanjing Panda International Communication Systems Co.,Ltd	60892596-8	Dong Zhiming	Nanjing	Manufacture	USD 1,240,000	100	100
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	85.82	85.82
Nanjing Panda Machinery Co., Ltd.	73317462-2	Liu Guozhong	Nanjing	Manufacture	RMB3,000,000	70	70
Nanjing Panda Mechanical Manufacturing Co. Ltd.	72609764-9	He Shulin	Nanjing	Manufacture	RMB10,000,000	99.11	100
Nanjing Panda Mechanical Engineering Plant	13506466-9	He Zaiding	Nanjing	Service industry	RMB45,000,000	54.37	54.37
Nanjing Panda System Integration Co., Ltd.	74237045-7	Liu Changhua	Nanjing	Engineering and 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	RMB190,000,000	100	100
Nanjing Panda Communication Technology Co., Ltd	777014380-0	Dong Zhiming	Nanjing	Manufacture	RMB100,000,000	100	100
Nanjing Panda Electronic Technology Development Co. Ltd.	56721194-1	Wen Yuan	Nanjing	Manufacture	RMB645,000,000	100	100
Galant Limited	1006135	Xu Guofei	Hong Kong	Development of communication products	HKD1	100	100

iii. Related parties with non-controlling relationship

Name of related parties	Code of Organization	Relationship with the Company
China Zhenhua Group Yunke Electronics Co., Ltd.	77057754-3	Same actual controller
China Electronics (ShenZhen) Co.Ltd.	19220615-X	Same actual controller
China National Electronics Import/ Export Corporation	10000106-X	Same actual controller
Wuhan Zhongyuan Electronics group Co.Ltd.	17771759-2	Same actual controller
Shenzhen Huaxin China's Electronic Technology Co., Ltd.	72715269-7	Same actual controller
Shenzhen sander baili electric appliance Co., Ltd.	77162208-6	Same actual controller
Shenzhen Sangda Baili Electric Appliance Co., Ltd.	70848829-3	Same actual controller
Shanghai Panda Huning Electronic Technology Co., Ltd.	05121115-8	Same actual controller
Nanjing China Electronics Panda Real Estate Co., Ltd.	78710640-6	Same actual controller
Nanjing China Electronics Panda Lighting Co., Ltd.	68250779-9	Same actual controller
CEC Panda LCD Technology Co., Ltd.	69044284-1	Same actual controller
CEC Panda Liquid Crystal Material Technology Co., Ltd.	05325257-8	Same actual controller
Nanjing Panda China's Electronic Information Industry Group Co., Ltd.	66068742-6	Same actual controller
Nanjing China Electronics Panda Property Management Co., Ltd.	67901867-9	Same actual controller
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	05797492-2	Same actual controller
Nanjing Panda Crystal Technology Co., Ltd..	70412529-0	Same actual controller
Nanjing Suzhe Electronics Materials Co., Ltd.	71627328-2	Same actual controller
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd. (No.891 National Factory)	21440297-X	Same actual controller
Guizhou Zhenhua Hualian Electronics Co., Ltd.	21590198-1	Same actual controller
Beijing Zhongdian Guangtong Technology Co., Ltd.	76937077-2	Same actual controller
Nanjing Panda Electronics Import/Export (HK) Company	1621427	Subsidiary of the Group
Panda (Beijing) International Information Technology Co., Ltd.	76503190-9	Subsidiary of the Group
Shenzhen Jinghua Information Technology Co., Ltd.	75760716-2	Subsidiary of the Group
Nanjing Panda Zhongdian Furniture Co., Ltd.	69040213-7	Subsidiary of the Group
Nanjing Zhen Hua Packing Material Plant	13487319-X	Subsidiary of the Group
Nanjing Panda Technology Park Development Co., Ltd.	59802163-0	Subsidiary of the Group
Nanjing Panda HanDa Technology Co., Ltd.	79710227-3	Subsidiary of the Group
Nanjing Panda Electronics Transportation Company	13488851-9	Subsidiary of the Group
Panda Electronics Material Usage Co., Ltd.	13488815-6	Subsidiary of the Group
Nanjing Panda Electronics Import/Export Co., Ltd.	13485068-4	Subsidiary of the Group
Nanjing Panda Electronics Technology Development Co., Ltd.	13487004-4	Subsidiary of the Group
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	74239427-2	Subsidiary of the Group
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	71627148-X	Subsidiary of the Group
Nanjing Electronic Calibration Co., Ltd.	13487289-1	Subsidiary of the Group

b) Pricing policy

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

c) Transactions with related parties

i. Purchase of goods

Name of related parties	Content of related parties	Pricing policy and Decision-making process	Amount for the period		Amount for the same period of last year	
			Amount	Percentage of Similar transaction (%)	Amount	Percentage of Similar transaction (%)
Nanjing Panda Electronics Import/Export Co., Ltd.	Electronic products	Fair price in the market	63,719,925.67	7.93	7,977,501.49	1.63
Shanghai Panda Huning Electronic Technology Co., Ltd.	Electronic products	Fair price in the market	6,770,598.26	0.84		
Nanjing Zhen Hua Packing Material Plant	Packing material	Fair price in the market	2,101,057.60	0.26	1,666,505.49	0.34
Panda Electronics Group Limited	Electronic products	Fair price in the market	339,587.09	0.04		
Guizhou Zhenhua Hualian Electronics Co., Ltd.	Electronic products	Fair price in the market	269,935.56	0.03		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Electronic products	Fair price in the market	87,008.55	0.01		
Nanjing China Electronics Panda Lighting Co., Ltd.	Electronic products	Fair price in the market	53,962.00	0.01		
China National Electronics Import/ Export Corporation	Electronic products	Fair price in the market	30,000.00			
China Zhenhua Group Yunke Electronics Co., Ltd.	Electronic products	Fair price in the market	25,709.40			
Guizhou Zhenhua Qunying Electric Appliance Co., Ltd (No.891 National Factory)	Electronic products	Fair price in the market	18,803.42			
Nanjing Panda Zhongdian Furniture Co., Ltd.	Electronic products	Fair price in the market	18,367.52		1,259,293.14	0.26
Nanjing Panda Electronics Technology Development Co., Ltd.	Electronic products	Fair price in the market	13,928.59			
China Electronics (ShenZhen) Co., Ltd.	Electronic products	Fair price in the market	9,786.32			
Shenzhen Huaxin China's Electronic Technology Co. Ltd.	Electronic products	Fair price in the market	2,222.22			
Nanjing Panda Crystal Technology Co., Ltd.	Electronic products	Fair price in the market	680.34		249,687.50	0.05
Total			73,461,572.54	9.12	11,152,987.62	2.28

ii. Receipt of services

Name of related parties	Content of related parties	Pricing policy and Decision-making process	Amount for the period		Amount for the same period of last year	
			Amount	Percentage of Similar transaction (%)	Amount	Percentage of Similar transaction (%)
Nanjing China Electronics Panda Lighting Co., Ltd.	Receipt of services	Fair price in the market	2,284,420.00	1.17		
China Electronics (ShenZhen) Co., Ltd.	Receipt of services	Fair price in the market	1,916,886.87	0.98	2,317,607.69	5.80
Nanjing China Electronics Panda Property Management Co., Ltd.	Receipt of services	Fair price in the market	896,755.59	0.46		
Nanjing Panda Electronics Transportation Company	Receipt of services	Fair price in the market	799,010.00	0.41	940,641.88	2.34
Panda Electronics Group Limited	Receipt of services	Fair price in the market	191,454.00	0.10	376,743.36	0.94
China National Electronics Import/Export Corporation	Receipt of services	Fair price in the market	178,751.00	0.09		
Nanjing Electronic Calibration Co., Ltd.	Receipt of services	Fair price in the market	31,283.02	0.02	98,818.00	0.25
Nanjing Zhen Hua Packing Material Plant	Receipt of services	Fair price in the market	646.16			
Nanjing Panda Electronics Technology Development Co., Ltd.	Receipt of services	Fair price in the market			165,241.72	0.41
Total			6,299,206.64	3.23	3,899,052.65	9.74

iii. Sales of products

Name of related parties	Content of related parties	Pricing policy and Decision-making process	Amount for the period		Amount for the same period of last year	
			Amount	Percentage of Similar transaction (%)	Amount	Percentage of Similar transaction (%)
CEC Panda LCD Technology Co., Ltd.	Electronic products	Fair price in the market	196,113,878.47	26.37	91,789,359.54	10.64
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Electronic products	Fair price in the market	67,743,510.31	9.11	25,152,025.65	2.91
Nanjing Panda HanDa Technology Co., Ltd.	Electronic products	Fair price in the market	32,322,948.27	4.35	14,895,227.70	1.73
CEC Panda LCD Technology Co., Ltd.	Electronic products	Fair price in the market	23,928,485.47	3.22		
Nanjing Panda Electronic Import/Export (HK) Company	Electronic products	Fair price in the market	16,319,463.99	2.19		
Nanjing Ericsson Panda Communication Co., Ltd.	Electronic products	Fair price in the market	7,301,964.04	0.98		
Nanjing Panda Electronics Import/Export Co., Ltd.	Electronic products	Fair price in the market	4,285,711.16	0.58	2,791,779.49	0.32
Panda Electronics Group Limited	Electronic products	Fair price in the market	1,588,851.36	0.21		
Panda Electronics Material Usage Co., Ltd.	Electronic products	Fair price in the market	136,752.14	0.02		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	Electronic products	Fair price in the market	127,863.25	0.02	111,752.11	0.01
Nanjing China Electronics Panda Lighting Co., Ltd.	Electronic products	Fair price in the market	2,564.10			
Nanjing Panda Zhongdian Furniture Co., Ltd.	Electronic products	Fair price in the market			61,495.73	0.01
Total			349,871,992.56	47.05	134,801,640.22	15.62

iv. Provision of services

Name of related parties	Content of related parties	Pricing policy and Decision-making process	Amount for the period		Amount for the same period of last year	
			Amount	Percentage of Similar transaction (%)	Amount	Percentage of Similar transaction (%)
CEC Panda LCD Technology Co., Ltd.	Provision of services	Fair price in the market	6,671,296.47	1.64		
Panda Electronics Group Limited	Provision of services	Fair price in the market	4,096,285.42	1.01	3,152,949.25	4.75
Nanjing China Electronics Panda Real Estate Co., Ltd.	Provision of services	Fair price in the market	2,931,140.48	0.72		
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Provision of services	Fair price in the market	2,900,000.00	0.71		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	Provision of services	Fair price in the market	2,414,304.50	0.59		
Nanjing Suzhe Electronics Materials Co., Ltd.	Provision of services	Fair price in the market	547,243.43	0.13		
Nanjing Panda HanDa Technology Co., Ltd.	Provision of services	Fair price in the market	452,032.03	0.11	3,511,666.50	5.30
Nanjing Ericsson Panda Communication Co., Ltd.	Provision of services	Fair price in the market	349,965.00	0.09	13,430,182.84	20.24
CEC Panda Liquid Crystal Material Technology Co., Ltd.	Provision of services	Fair price in the market	188,710.26	0.05		
Nanjing Panda Electronics Transportation Company	Provision of services	Fair price in the market	135,964.74	0.03		
Nanjing 21st Century Electronic and Technology Square Co., Ltd.	Provision of services	Fair price in the market	125,000.00	0.03	82,500.00	0.12
Nanjing Panda China's electronic information industry group Co., Ltd.	Provision of services	Fair price in the market	88,470.00	0.02		
Nanjing Panda Zhongdian Furniture Co., Ltd.	Provision of services	Fair price in the market	72,446.11	0.02	28,642.41	0.04
Nanjing Panda Technology Park Development Co., Ltd.	Provision of services	Fair price in the market	66,460.87	0.02		
Nanjing Zhen Hua Packing Material Plant	Provision of services	Fair price in the market	51,952.37	0.01		
Nanjing Panda Electronics Import/Export Co., Ltd.	Provision of services	Fair price in the market	33,810.00	0.01	14,670.00	0.02
Panda Electronics Material Vsage Co., Ltd.					59,829.06	0.10
Total			21,125,081.68	5.19	20,280,640.06	30.57

v. Provision of guarantee

- (1) The Company provided a maximum amount irrevocable guarantee for bank line of credit of RMB 50,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 5 June 2014 to 4 June 2015, from Nanjing Branch of China Merchants Bank. As at 30 June 2014, the used credit line amounted to RMB37,731,974.09, among which, the Company provided guarantee for bank loan of RMB30,000,000.00 with a term from 19 June 2014 to 18 June 2014 and bank acceptance of RMB490,800.00 as well as letter of guaranty of RMB7,241,174.09. Nanjing Panda Information Industry Co., Ltd. provided counter-guaranty with all of its assets.

The Company provided a maximum amount guarantee for bank line of credit of RMB 100,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 29 July 2013 to 28 July 2014, from Nanjing Branch of Ningbo Bank Co., Ltd. As at 30 June 2014, the used credit line amounted to RMB46,095,782.53, among which, the Company provided letter of guaranty of RMB46,095,782.53. Nanjing Panda Information Industry Co., Ltd. provided counter-guaranty with all of its assets.

The Company provided a maximum amount guarantee for bank line of credit of RMB 340,000,000.00 granted to Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company with a term from 6 December 2013 to 13 October 2014, from Nanjing Branch of Shanghai Pudong Development bank Co., Ltd.. As at 30 June 2014, the used credit line amounted to RMB34,147,269.98, among which, the Company provided guarantee for bank acceptance of RMB422,032.74 and for letter of guaranty of RMB 33,725,237.24. Nanjing Panda Information Industry Co. Ltd. provided counter-guaranty with all of its assets.

- (2) The Company provided a maximum amount guarantee for bank loan of RMB 50,000,000.00 granted to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company with a term from 5 November 2013 to 11 October 2014 from Industrial Bank Maigaoqiao Branch. Nanjing Panda Electronic Manufacture Co., Ltd. provides counter-guaranty with all of its assets. As at 30 June 2014, the used credit line amounted to RMB14,168,311.24, among which, the Company provided guarantee for bank acceptance of RMB14,168,311.24 for its subsidiary company Nanjing Panda Electronic Manufacture Co., Ltd.

The Company provided a maximum amount guarantee for bank loan of RMB 40,000,000.00 granted to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company with a term from 6 November 2013 to 13 October 2014 from Nanjing Branch of Shanghai Pudong Development Bank. Nanjing Panda Electronic Manufacture Co., Ltd. provides counter-guaranty with all of its assets. As at 30 June 2014, the used credit line amounted to RMB15,291,348.76, among which, the Company provided guarantee for bank acceptance of RMB15,291,348.76 for its subsidiary company Nanjing Panda Electronic Manufacture Co., Ltd.

- (3) The Company provided a maximum amount guarantee for bank loan of RMB 40,000,000.00 granted to Nanjing Panda Electronic Equipment Co., Ltd., a subsidiary of the Company with a term from 21 January 2014 to 13 October 2014 from Nanjing Branch of Shanghai Pudong Development Bank. Nanjing Panda Electronic Equipment Co., Ltd. provides counter-guaranty with all of its assets. As at 30 June 2014, the used credit line amounted to RMB 2,041,520.00, among which, the Company provided guarantee for bank acceptance of RMB 2,041,520.00 to Nanjing Panda Electronic Manufacture Co., Ltd., a subsidiary of the Company from Nanjing Branch of Shanghai Pudong Development Bank.

As at 30 June 2014, the guarantee provided by the Company to its subsidiaries amounted to RMB 149,476,206.60 (30 June 2013: RMB 223,074,205.50).

VI. Lease of assets

Name of related parties	Amount for the period	Amount for the same period last year
Nanjing Panda Electronics Transportation Company	454,972.86	422,185.32
Nanjing Panda Zhongdian Furniture Co., Ltd.	114,681.00	57,540.00
Nanjing Panda Electronics Import/Export Co., Ltd.	109,929.00	27,600.00
	<hr/>	<hr/>
Total	679,582.86	507,325.32
	<hr/> <hr/>	<hr/> <hr/>

(9) Balance of due from and due to related parties

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
Accounts receivable				
CEC Panda LCD Technology Co., Ltd.				
CEC Panda Liquid Crystal Material Technology Co., Ltd.	96,954,121.39	80,467,029.07		
Nanjing panda HanDa technology Co., Ltd.	74,577,057.30	37,268,356.92		
Nanjing China Electronics Panda Panel Display Technology Co., Ltd.	40,427,419.25	35,033,562.13		
Nanjing Ericsson Panda Communication Co., Ltd.	28,007,527.00	33,780.00		
Panda Electronics Group Limited	5,776,003.96	1,802,669.40		
Nanjing Panda Electronics Import/Export Co., Ltd.	4,564,799.19	21,633,653.11		
Nanjing China Electronics Panda Real Estate Co., Ltd.	2,906,771.07	4,424,503.38		
Nanjing Panda Zhongdian Furniture Co., Ltd.	1,573,914.43	151,500.43		
Nanjing Panda Electronics Transportation Company	894,726.76	749,595.67		
Nanjing Panda DaSheng Electronics Technology Co., Ltd.	156,469.27	33,155.76		
Panda (Beijing) International Information Technology Co., Ltd.	149,600.00			
Nanjing Panda Electronics Technology Development Co., Ltd.	107,685.29	107,685.29		
Nanjing Panda Technology Park Development Co., Ltd.	76,168.00	181,096.27		
Shenzhen sander baili electric appliance Co., Ltd.	60,121.80	60,121.80		
Nanjing China Electronics Panda Lighting Co., Ltd.	52,200.00			
Nanjing Thales Panda Transportation System Co., Ltd.	39,086.73	39,086.73		
Hua Fei Color Display Systems Co., Ltd.	33,450.00	33,450.00		
Nanjing Electronics (Kunshan) Co., Ltd.	35,850.00	35,850.00		
Nanjing Zhen Hua Packing Material Plant	17,300.00	4,700.00		
Nanjing Electronic Calibration Co., Ltd.	3,780.00	3,780.00		
Nanjing Panda Crystal Technology Co., Ltd.	2,720.00			
Wuhan Zhongyuan Electronics group Co., Ltd.	2,000.00	2,000.00		
Nanjing Panda Electronics Technology Development Co., Ltd.		84,000.00		
Nanjing Panda China's Electronic Information Industry Group Co., Ltd.		8,542.00		
	<hr/>	<hr/>		
Total	256,418,771.44	182,158,107.96		
	<hr/> <hr/>	<hr/> <hr/>		

Accounts receivable-provision for bad debt

Panda (Beijing) International		
Information Technology Co., Ltd.	107,685.29	107,685.29
Nanjing Panda Electronics Import/Export Co., Ltd.	76,756.38	81,454.38
Sherzhen sander baili electric appliance Co., Ltd.	60,121.80	60,121.80
Nanjing Electronics (Kunshan) 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
Nanjing panda HanDa technology Co., Ltd.	2,980.03	2,980.03
Wuhan Zhongyuan Electronics group Co., Ltd.	2,000.00	2,000.00
Nanjing Ericsson Panda Communication Co., Ltd.	360.00	360.00
	<hr/>	<hr/>
Total	322,983.50	327,681.50
	<hr/> <hr/>	<hr/> <hr/>

Item	Closing amount	Opening amount	Terms and conditions	Whether receive or provide guarantee
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Prepayments

Shanghai Panda Huring Electronic Technology Co., Ltd.	1,050,098.55	1,799,736.80
Beijing CEC Corecast technology Co., Ltd	700,000.00	
Nanjing Panda Zhongdian Furniture Co., Ltd.	190,998.00	34,230.00
Nanjing China Electronics Panda Lighting Co., Ltd.	104,695.20	
CEC Panda LCD Technology Co., Ltd.	20,356.00	15,000.00
Nanjing Panda Electronics Technology Development Co., Ltd.	8,275.40	8,275.40
China National Electronics Import/Export Corporation		173,508.67
Sherzhen Jinghua Information Technology Co., Ltd.		24,300.00
Nanjing Panda Crystal Technology Co., Ltd.		480.00
	<hr/>	<hr/>
Total	2,074,423.15	2,055,530.87
	<hr/> <hr/>	<hr/> <hr/>

Other receivables

Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	2,799,417.23
	<hr/>	<hr/>
Total	2,799,417.23	2,799,417.23
	<hr/> <hr/>	<hr/> <hr/>

Other receivables-provision for bad debt

Panda Electronic (Kun Shan) Co., Ltd.	2,799,417.23	2,799,417.23
	<hr/>	<hr/>
Total	2,799,417.23	2,799,417.23
	<hr/> <hr/>	<hr/> <hr/>

Item	Closing amount	Opening amount	Terms and conditions	Whether receive
				or provide guarantee
Accounts payable				
Nanjing Panda Electronics Import/Export Co., Ltd.	46,293,000.59	32,529,317.89		
Panda Electronics Group Limited	2,167,835.57	3,677,933.51		
Nanjing China Electronics Panda Property Management Co., Ltd.	1,777,688.82	327,552.88		
Nanjing Zhen Hua Packing Material Plant	1,397,097.03	2,117,661.98		
China Electronics (ShenZhen) Co., Ltd.	761,856.00	1,043,582.00		
Nanjing Panda Electronics Transportation Company	232,664.39	538,918.99		
Nanjing Panda Zhongdian Furniture Co., Ltd.	147,600.00	147,600.00		
Panda Electronic (Kun Shan) Co., Ltd.	63,139.64	63,139.64		
Nanjing Ericsson Panda Communication Company Limited	37,142.32	15,562.37		
Nanjing China Electronics Panda Lighting Co., Ltd.	29,990.40			
Nanjing Panda Crystal Technology Co., Ltd.	27,808.40	95,744.60		
Nanjing Panda Electronics Technology Development Co., Ltd.	20,003.14	6,693.32		
Nanjing Thales Panda Transportation System Co., Ltd.	16,410.02	16,410.02		
Panda Electronics Material Usage Co., Ltd.	11,320.00			
Shenzhen Sander Baili Electric Appliance Co., Ltd.	3,565.81	3,565.81		
Guizhou Zhenhua Quanying Electric Appliance Co., Ltd.		293,710.00		
Nanjing Electronic Calibration Co., Ltd.		16,600.00		
Shenzhen Huaxin China's Electronic Technology Co., Ltd.		4,800.00		
China Zhenhua Group Yunke Electronics Co., Ltd.		10,032.00		
Total	52,987,122.13	40,908,825.01		

Item	Closing amount	Opening amount	Terms and conditions	Whether receive
				or provide guarantee
Advances from customers				
CEC Panda LCD Technology Co., Ltd.	9,687,159.44	8,743,014.46		
Nanjing Panda HanDa Technology Co., Ltd.	4,908,618.70	1,712,190.07		
Panda Electronics Group Limited	2,980,000.00			
Nanjing Panda Electronics Import/Export Co., Ltd.	1,502,412.76			
Panda (Beijing) International Information Technology Co., Ltd.	95,750.00			
Nanjing Panda Zhongdian Furniture Co., Ltd.	5,506.17	5,506.17		
Nanjing Panda Electronics Import/Export (HK) Company		3,921,549.68		
Nanjing China Electronics Panda Lighting Co., Ltd.		375,400.00		
Total	19,179,447.07	14,757,660.38		

IX. Assets Rented

Name of related parties	Amount for the period	Amount for the same period last year
Panda Electronics Group Limited	38,970.00	83,785.50
Total	<u>38,970.00</u>	<u>83,785.50</u>

XI. CONTINGENCIES

- Please refer to Note X 3 (5) for the guarantees provided by the Company for bank borrowings of its subsidiaries.
- As at 30 June 2014 the Company did not have any material contingent issues required to be disclosed other than the aforesaid.

XII. COMMITMENTS

a) Operating lease commitment

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

Items	Amount for the period	Amount for the same period last year
Within 1 year		
1-2 years	1,834,735.36	390,666.67
2-3 years	111,600.00	163,200.00
More than 3 years	7,800.00	54,600.00
Total	<u>1,954,135.36</u>	<u>608,466.67</u>

b) Capital expenditure commitment

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

Items	Amount for the period	Amount for the same period last year
Buildings	106,742,516.03	123,006,153.78
	<u>106,742,516.03</u>	<u>123,006,153.78</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 RMB86,863.52, the amount of the exchange loss is RMB451,663.24, and the net exchange profits and losses is RMB364,799.72.

XV. OTHER SIGNIFICANT EVENTS

1. The Company proposed to make an acquisition of 5,834,430 equity interests in Shenzhen Jingwah Electronics Corporation Ltd., a controlling shareholder of Panda Electronics Group Company Limited for open bidding by public bidders (representing 5.07% of its total equity interests) at the cash consideration. Upon the completion of transaction, the Company shall directly hold 43.10% equity interests in Shenzhen Jingwah as well as majority of seats in the Board of Shenzhen Jingwah after re-election, which will be incorporated into the consolidated financial statements. The transaction price is based on the valuation. The Company purchased shares of Shenzhen Jingwah held by PEGL on the pricing basis of delisting price of state-owned assets traded in exchange. In accordance with the Asset Valuation Report of Equity Interests of Shenzhen Jingwah Electronics Co., Ltd. to be Disposed by Panda Electronics Group Limited (Wo Ke Sen Ping Bao Zi [2014] No.0088) issued by Vocation (Beijing) International Appraisers Co., Ltd. on the valuation base date (31 December 2013), the valuation of net assets of Shenzhen Jingwah was RMB993,408,800. The listing price of 5,834,430 shares of Shenzhen Jingwah held by PEGL on Shanghai United Assets and Equity Exchange was RMB50,365,830. The transaction price was the delisting price, being RMB50,365,830. The transaction has been considered and approved at the 14th meeting of the Seventh Board of the Company. Pursuant to the relevant regulations of restructuring method, the transaction constitutes the significant asset restructuring. Pursuant to the relevant rules and regulations of the law, the transaction shall in compliance with the following procedures: (i) consideration and approval of the significant asset purchase as connected transaction at the general meeting of the Nanjing Panda; and (ii) approval or filing of the significant asset purchase as connected transaction by China Securities Regulatory Commission. (depending on relevant regulations of department in charge).
2. The controlling shareholder of the Company, Panda Electronics Group Company Limited provided a pledge guaranty of at the pledge of 167,350,000 non-limited shares (representing 18.31% of the total shares of the Company) as security of borrowings of RMB800,000,000 to a syndicate of banks comprising China Electronics Financial Co., Ltd., Bank of Communications Co., Ltd. (Jiangsu Branch) and China Construction Bank Corporation (Nanjing Zhongyangmen Sub-branch) for Nanjing Panda Handa Technology Company Limited, a wholly owned subsidiary of PEGL(2-year term). The PEGL has completed the stock pledge registration formalities at Shanghai Branch of China Securities Depository and Clearing Corporation on 22 January 2014.

3. Lease

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

Categories of assets leased out	Closing balance	Opening balance
Buildings	<u>20,443,916.72</u>	<u>20,443,916.72</u>
Total	<u><u>20,443,916.72</u></u>	<u><u>20,443,916.72</u></u>

XVI. RECONCILIATION OF HONG KONG AND PRC ACCOUNTING STANDARDS DIFFERENCES (UNIT: RMB THOUSANDS)

Items	Closing Balance	Opening Balance
Equity attributable to the shareholders of parent company under PRC accounting standards and accounting principles generally accepted in Hong Kong during the year	3,148,355	3,122,699

Items	Closing Balance	Opening Balance
Net profit attributable to the shareholders of parent company under accounting principles generally accepted in Hong Kong	85,116	83,757

SUPPLEMENTARY INFORMATION

I. RELATED FINANCIAL INDICATORS

Profit during reporting period	Reporting period	Return on net	Earnings per share (RMB/share)	
		assets (%)	Basic earnings per share	Diluted earnings per share
		Weighted average		
Net profit attributable to holders of ordinary shares of the Company	January-June, 2014	2.70	0.0931	0.0931
	January-June, 2013	4.78	0.1265	0.1265
Net profit attributable to holders of ordinary shares after extraordinary items	January-June, 2014	1.79	0.0617	0.0617
	January-June, 2013	4.24	0.1122	0.1122

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

(1) Fully diluted return on net assets

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

(2) Weighted average return on net assets

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

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

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

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

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

$$\text{Diluted earnings per share} = [P + (\text{The interests of the diluted potential ordinary shares determined to be expenses in the current period} - \text{Conversion expenses}) \times (1 - \text{Income tax ratio})] / (S_0 + S_1 + S_i \times M_i - M_0 - S_j \times M_j - M_0 - S_k - \text{The weighted average number of ordinary shares, increased from subscription warrant share option and convertible bond})$$

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

Item	For the period	For the same period of last year
(1) Profit and loss of disposal of non-current assets including reserved provision for asset impairment	(4,831.00)	(1,316,073.50)
(2) Tax rebate or tax reduction through approval beyond authorities or without official approval document		
(3) Government subsidiaries accounted for as current profit and loss, (excluding those closely related to the enterprise's business and enjoyed according to the State's standard quote or quantity)	24,357,360.00	11,993,825.00
(4) Capital occupation fee received from non- financial enterprises and recorded into the current gains and losses		
(5) Profit and loss incurred when cost of merger of enterprises are less than the fair value of the identifiable net assets of acquirees attributable to the Company during merger		
(6) Profit and loss from exchange of non-monetary assets		
(7) Profit and loss from entrusted investment	10,443,026.03	
(8) Provision for assets impairment due to force majeure including natural disasters		
(9) Profit and loss from debt restructuring		
(10) Expenses of enterprise restructuring, such as staff replacement, integration expenses, etc.		
(11) Loss and profit exceeding fair value of transaction with unfair consideration		
(12) Net profits and losses of the current period of subsidiaries under same control arising for merger of enterprise from the beginning of period to the date of merger		
(13) Loss and profit from accrued liabilities having no relation with principal business of the Company		
(14) Investment income obtained from holding transactional financial assets transactions financial liabilities generated changes in fair values and disposal tradable financial assets and transactions financial liabilities and sellable financial assets apart with company normal operations related effective hedging business		
(15) Reversal of impairment of receivables provided by specific provision		
(16) Profit and loss from entrusted loans		
(17) Profit and loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
(18) Profit and loss according to tax and accounting laws and regulations require a one-time adjustment of profit or loss		
(19) Entrusted fee income obtained from entrusted operation		
(20) Other net non-operating income/expenses other than the above items	103,646.69	280,599.17
(21) Other non-recurring profit and loss items		
Sub-total	34,899,201.72	10,958,350.67
Less: The impact from income tax	6,180,127.71	1,515,133.40
Net non-recurring profit and loss	28,719,074.01	9,443,217.27
Including: Net non-recurring profit and loss attributable to ordinary shareholders of the Company	28,738,539.66	9,454,491.54
Net non-recurring profit and loss attributable to minority shareholders	(19,465.65)	(11,274.27)

X DOCUMENTS AVAILABLE FOR INSPECTION

1. Original financial statements signed and sealed under the hand of the head of the Company, the head of the Accounting Department (the Chief Accountant).
2. Original copies of all documents and announcements of the Company publicly disclosed on websites designated by the CSRC during the reporting period.
3. The interim report published on the Hong Kong Stock Exchange.

Nanjing Panda Electronics Company Limited

15 August 2014