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南京熊猫电子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

SUMMARY OF 2016 INTERIM REPORT

I. IMPORTANT NOTICE

1.1 The summary of the results for the six months ended 30 June 2016 (the “**Reporting Period**”) of Nanjing Panda Electronics Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) is set out below. The financial statements of this report are unaudited. The summary of 2016 Interim Report is based on the full-length 2016 Interim Report. Should investors wish to learn about the details, please refer to the complete version of the Interim Report simultaneously posted on the China Securities Regulatory Commission (“**CSRC**”) designated websites, such as the Shanghai Stock Exchange website.

1.2 Company profile

Overview of corporate stock

Category of stock	The stock exchange on which the shares are listed	Stock abbreviation	Stock Code	Stock abbreviation before changes
A Share(s)	Shanghai Stock Exchange	NPEC	600775	N/A
H Share(s)	Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)	NPEC	00553	N/A

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II. MAJOR FINANCIAL DATA AND SHAREHOLDERS' INFORMATION

2.1 Prepared in Accordance with Hong Kong Financial Reporting Standards (unaudited)

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2016

(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
		(unaudited)	(unaudited)
	<i>Note</i>	RMB'000	RMB'000
Turnover	4	1,502,811	1,628,881
Cost of sales		(1,306,164)	(1,409,055)
Gross profit		196,647	219,826
Other income and net gains	5	54,868	6,120
Distribution costs		(22,241)	(22,080)
Administrative expenses		(212,808)	(189,845)
Operating profit		16,466	14,021
Finance income, net		13,486	13,576
Share of profits of associates		62,810	97,386
Profit before taxation	6	92,762	124,983
Income tax expense	7	(15,762)	(15,391)
Profit and total comprehensive income for the period		77,000	109,592
Attributable to:			
Equity shareholders of the Company		54,654	87,626
Non-controlling interests		22,346	21,966
		77,000	109,592
Earnings per share (RMB cents)			
– Basic and diluted	8	5.98	9.59

Condensed consolidated statement of financial position

As at 30 June 2016

(Expressed in Renminbi)

		30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Land use rights		69,971	70,786
Property, plant and equipment		985,228	1,006,957
Investment properties		14,061	14,760
Associates		510,624	447,694
Available-for-sale equity securities		3,650	3,650
Capitalised development costs		20,736	23,275
Deferred tax assets		6,434	6,801
		1,610,704	1,573,923
Current assets			
Inventories		341,612	295,597
Trade and bills receivables	10	1,255,589	1,239,576
Amounts due from customers for contract work		202,682	131,333
Deposits, prepayments and other receivables		256,549	232,149
Other financial assets	11	414,000	457,000
Restricted bank deposits	12	116,537	108,420
Cash and cash equivalents		939,097	853,802
		3,526,066	3,317,877
Total assets		5,136,770	4,891,800
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	13	913,839	913,839
Share premium and reserves		2,341,954	2,349,441
		3,255,793	3,263,280
Non-controlling interests		210,516	196,614
Total equity		3,466,309	3,459,894

Condensed consolidated statement of financial position (Continued)
As at 30 June 2016
(Expressed in Renminbi)

		30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Other payables		26,140	26,276
Deferred tax liabilities		180	226
		26,320	26,502
Current liabilities			
Bank borrowings	14	120,863	93,284
Trade payables	15	1,105,573	910,699
Accruals and other payables		410,353	392,132
Tax payable		7,352	9,289
		1,644,141	1,405,404
Total liabilities		1,670,461	1,431,906
Total equity and liabilities		5,136,770	4,891,800
Net current assets		1,881,925	1,912,473
Total assets less current liabilities		3,492,629	3,486,396

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 7 Jingtian Road, 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 2015, 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 2016. 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 2015 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 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 consolidated financial statements:

- Annual improvements to HKFRSs 2012–2014 cycle
- Amendments to HKFRS 10 and HKAS 28, sale or contribution of assets between an investor and its associate or joint venture
- Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative
- Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

The adoption of these amendments has had no significant impact 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 new standards which are not yet effective for the year ending 31 December 2016 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
HKFRS 9, Financial instruments	1 January 2018
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 16, Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards is expected to be in the period of initial application, but is not yet in a position to state whether these new standards would have a significant impact on the Group's consolidated 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 2016, 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.

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 2016:

Six months ended 30 June 2016

	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	613,236	317,567	462,112	109,896	-	1,502,811
Internal sales	40,120	1,823	11,151	24,814	(77,908)	-
Total	653,356	319,390	473,263	134,710	(77,908)	1,502,811
Results						
Segment results	25,153	1,470	14,024	30,277	(4,504)	66,420
Unallocated corporate expenses						(49,954)
Interest income						13,563
Interest expense						(77)
Share of profits of associates						62,810
Income tax expense						(15,762)
Profit for the period						77,000

At 30 June 2016

	Electronic equipment products (unaudited) <i>RMB'000</i>	Consumer electronic products (unaudited) <i>RMB'000</i>	Electronic manufacturing products (unaudited) <i>RMB'000</i>	Other operations (unaudited) <i>RMB'000</i>	Elimination (unaudited) <i>RMB'000</i>	Consolidated (unaudited) <i>RMB'000</i>
Assets						
Segment assets	2,696,863	391,617	817,201	429,774	(552,408)	3,783,047
Associates						510,624
Available-for-sale equity securities						3,650
Other financial assets						414,000
Unallocated corporate assets						425,449
						<hr/>
Consolidated total assets						5,136,770
						<hr/> <hr/>
Liabilities						
Segment liabilities	1,269,396	162,810	395,361	217,640	(441,461)	1,603,746
Unallocated corporate liabilities						66,715
						<hr/>
Consolidated total liabilities						1,670,461
						<hr/> <hr/>

Six months ended 30 June 2015

	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	794,035	258,063	485,194	91,589	–	1,628,881
Internal sales	52,383	11,620	7,396	20,425	(91,824)	–
	<u>846,418</u>	<u>269,683</u>	<u>492,590</u>	<u>112,014</u>	<u>(91,824)</u>	<u>1,628,881</u>
Results						
Segment results	<u>26,845</u>	<u>2,495</u>	<u>22,472</u>	<u>25,386</u>	<u>(10,549)</u>	66,649
Unallocated corporate expenses						(52,628)
Interest income						16,133
Interest expense						(2,557)
Share of profits of associates						97,386
Income tax expense						<u>(15,391)</u>
Profit for the period						<u>109,592</u>

At 31 December 2015

	Electronic equipment products (audited) <i>RMB'000</i>	Consumer electronic products (audited) <i>RMB'000</i>	Electronic manufacturing products (audited) <i>RMB'000</i>	Other operations (audited) <i>RMB'000</i>	Elimination (audited) <i>RMB'000</i>	Consolidated (audited) <i>RMB'000</i>
Assets						
Segment assets	2,623,852	357,535	711,190	491,109	(721,868)	3,461,818
Associates						447,694
Available-for-sale equity securities						3,650
Other financial assets						457,000
Unallocated corporate assets						521,638
						<hr/>
Consolidated total assets						4,891,800
						<hr/> <hr/>
Liabilities						
Segment liabilities	1,175,735	163,654	300,019	189,698	(451,000)	1,378,106
Unallocated corporate liabilities						53,800
						<hr/>
Consolidated total liabilities						1,431,906
						<hr/> <hr/>

5. *Other income and net gains*

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Other income		
Rental and property management fee income	2,195	2,157
Government grants	46,057	2,648
Sundry income	801	287
	49,053	5,092
Other net gains		
Exchange gains	5,823	1,640
Loss on disposals of property, plant and equipment	(8)	(612)
	5,815	1,028
	54,868	6,120

6. *Profit before taxation*

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	40,726	39,804
Depreciation of investment properties	699	708
Amortisation of land use rights	815	815
Amortisation of capitalised development costs	2,539	–
Write-down of inventories	259	1,008
Impairment losses (reversed)/recognised on		
– Trade receivables	(1,489)	(876)
– Other receivables	(162)	532

7. *Income tax expense*

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
– PRC enterprise income tax	14,437	13,840
– Under-provision in prior year	1,005	1,580
	15,442	15,420
Deferred tax		
– attributable to the origination and reversal of temporary differences	320	(29)
	15,762	15,391

PRC enterprise income tax is charged at the statutory rate of 25% (six months ended 30 June 2015: 25%) of the assessable income as determined in accordance 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% or 20% (six months ended 30 June 2015: 15% or 20%).

8. *Earnings per share*

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 of RMB54,654,000 (six months ended 30 June 2015: RMB87,626,000) and the weighted average number of 913,839,000 (six months ended 30 June 2015: 913,839,000) shares in issue throughout the period.

The diluted earnings per share for the six months ended 30 June 2016 and 2015 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 2016 and 2015.

9. Dividends

Final dividend of RMB68 cents per ten shares in respect of the year ended 31 December 2015 was approved on 30 June 2016. Final dividend of RMB66 cents per ten shares in respect of year ended 31 December 2014 was approved on 30 June 2015.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB nil).

10. Trade and bills receivables

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

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

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 1 year	1,011,464	1,087,460
1 to 2 years	175,248	102,514
2 to 3 years	61,675	39,030
Over 3 years	7,202	10,572
	<u>1,255,589</u>	<u>1,239,576</u>

11. Other financial assets

At 30 June 2016, other financial assets of the Group of RMB414,000,000 (31 December 2015: RMB457,000,000) represented short-term wealth management products managed by banks in the PRC which undertake return of principal and income yield of 2.75%–3.25% (31 December 2015: 3.50%–3.95%) per annum upon maturity.

12. *Restricted bank deposits*

The restricted bank deposits are pledged as security for:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Bills payable	74,591	60,021
Performance bonds given by banks to customers in respect of projects undertaken	41,946	48,399
	<u>116,537</u>	<u>108,420</u>

13. *Share capital*

	30 June 2016 (unaudited)		31 December 2015 (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>

14. *Bank borrowings*

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Bills payable, secured	<u>120,863</u>	<u>93,284</u>

Bills payable were secured by restricted bank deposits (see note 12).

15. Trade payables

The following is an ageing analysis of trade payables:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 1 year	732,948	796,015
1 to 2 years	339,428	67,748
2 to 3 years	20,074	12,761
Over 3 years	13,123	34,175
	<u>1,105,573</u>	<u>910,699</u>

16. Contingent liabilities

The Group had the following contingent liabilities:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Performance bonds given by banks to customers in respect of projects undertaken	<u>41,946</u>	<u>48,399</u>

17. Capital commitments

At 30 June 2016, outstanding capital commitments not provided for in the condensed consolidated financial statements are as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Contracted for – Property, plant and equipment	<u>3,149</u>	<u>3,956</u>

2.2 Major financial data of the Company (prepared in accordance with Accounting Standards for Business Enterprises of the People's Republic of China) (unaudited)

Unit: Yuan Currency: RMB

	At the end of Reporting Period (30 June 2016)	At the end of last year (30 June 2015)	Changes from corresponding period of previous year (%)
Total assets	5,136,769,261.03	4,891,799,403.91	5.01
Net assets attributable to shareholders of the Company	3,255,792,598.80	3,263,279,379.67	-0.23
	Reporting Period (Jan.–Jun. 2016)	Corresponding period of last year (Jan.-Jun. 2015)	Changes from corresponding period of previous year (%)
Net cash flow from operating activities	81,935,334.93	-32,840,266.46	N/A
Operating income	1,519,196,108.29	1,647,734,769.34	-7.80
Net profits attributable to shareholders of the Company	54,654,239.10	87,625,888.80	-37.63
Net profits attributable to shareholders of the Company after deduction of extraordinary items	10,166,760.02	77,166,706.56	-86.82
Weighted average return on net assets (%)	1.67	2.72	Decreased by 1.05 percentage points
Basic earnings per share (RMB/share)	0.0598	0.0959	-37.63
Diluted earnings per share (RMB/share)	0.0598	0.0959	-37.63

2.3 Total number of shareholders, shareholdings of the top ten shareholders and shareholdings of the top ten tradable-shareholders (or holders of shares not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Total number of shareholders as at the end of
the Reporting Period (*account*) 32,536

Shareholdings of top ten shareholders

Name of shareholders	Nature of shareholders	Percentage of shareholding (%)	Number of shares held	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
HKSCC (Nominees) Limited	Overseas legal person	26.41	241,387,570	0	Unknown
Panda Electronics Group Limited (“PEGL”)	State-owned legal person	23.05	210,661,444	0	Pledged 93,880,000
China Huarong Asset Management Co., Ltd.	State-owned legal person	9.06	82,811,667	0	Unknown
Nanjing Electronics Information Industrial Corporation (“NEIIC”)	State-owned legal person	5.71	52,186,511	0	Unknown
China Great Wall Asset Management Corporation	State-owned legal person	1.55	14,172,397	0	Unknown
National Social Security Fund 404	Others	0.82	7,536,122	0	Unknown
Agricultural Bank of China Limited – China Post Core Growth Mixed Securities Investment Fund	Others	0.57	5,199,729	0	Unknown
National Social Security Fund 114	Others	0.57	5,193,361	0	Unknown
South Industry Assets Management Co., Ltd.	State-owned legal person	0.53	4,800,000	0	Unknown
China Construction Bank Corporation – E Fund National Defence Industry Mixed Securities Investment Fund	Others	0.52	4,768,518	0	Unknown

Description on connected relationship or party acting in concert among the aforesaid shareholders	NEIC holds 100% equity interests of PEG, the controlling shareholder of the Company. NEIC directly holds 44,690,511 A shares and 7,496,000 H shares of the Company, representing 5.71% of the total number of shares. NEIC indirectly holds 210,661,444 A shares of the Company through PEG, representing 23.05% of the total number of shares. In total, NEIC holds 28.76% of the shares of the Company. Save as the above, the Company is not aware of any connected relationship or party acting in concert among other shareholders.
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Notes:

- (1) 167,350,000 shares held by PEG were pledged on 22 January 2014, of which 50,000,000 shares, 23,470,000 shares and 93,880,000 shares were released on 12 May 2015, 26 June 2015 and 12 January 2016 respectively. PEG completed the registration procedures of the share pledge with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 24 March 2016 and as at 30 June 2016, 93,880,000 shares out of the 210,661,444 shares held by PEG were pledged, representing 10.27% of the total share capital of the Company.

For details, please refer to the relevant announcements of the Company published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 23 January 2014, 14 May 2015, 30 June 2015, 14 January 2016 and 26 March 2016 respectively and on the website of Hong Kong Stock Exchange on 22 January 2014, 13 May 2015, 29 June 2015, 13 January 2016 and 28 March 2016 respectively.

- (2) HKSCC (Nominees) Limited held 241,387,570 H shares of the Company, representing 26.41% of the issued share capital of the Company, on behalf of several clients. The Company is not aware of any individual client holding more than 5% of the issued share capital of the Company.

2.4 Changes in shares subject to trading moratorium

Name of shareholders	Number of shares subject to trading moratorium as at the beginning of the Period	Number of shares released from trading moratorium during the Period	Increase in the number of shares subject to trading moratorium during the Period	Number of shares subject to trading moratorium as at the end of the Period	Reason for trading moratorium	Date of release of trading moratorium
					It may not be transferred within 36 months from the completion date of the issue	
NEIIC	39,215,686	39,215,686	0	0		28 June 2016
Total	<u>39,215,686</u>	<u>39,215,686</u>	<u>0</u>	<u>0</u>	<u>/</u>	<u>/</u>

2.5 Change in the controlling shareholder and the de facto controller

During the Reporting Period, there was no change in the controlling shareholder and the de facto controller of the Company, which were still PEGl and China Electronics Corporation (“CEC”), respectively.

1. According to “Notice Regarding Change of Registered Capital” from NEIIC, the registered capital of NEIIC was changed to RMB3,874,212,500 as at 30 June 2016, of which CEC contributes RMB2,747,878,000, representing 70.93% of total registered capital.
2. According to relevant requirements, NEIIC has since 17 July 2015, accumulatively increased its shareholding in Nanjing Panda by 5,474,825 A shares in the secondary market through securities companies under the Custody of Specific Asset Scheme, representing 0.60% of total share capital of the Company; accumulatively increased shareholding in Nanjing Panda by 7,496,000 H shares, representing 0.82% of total share capital of the Company; total shares increased represents 1.42% of total shares capital. Up to the date hereof, NEIIC directly holds 44,690,511 A shares of the Company, representing 4.89% of total share capital of the Company, and directly holds 7,496,000 shares of H shares of the Company, representing 0.82% of total share capital of the Company; the total shares directly held represents 5.71% of total share capital of the Company.

3. According to the resolution of the board of PEG L and the resolution of its shareholders regarding the equity restructuring, the reductions of registered capital and corresponding equity interests during the restructuring are proposed to be complemented with the appropriate cash and assets injected by NEIIC (the controlling shareholder of PEG L, will hold 100% equity interest in PEG L upon the completion of the equity restructuring) and other investors in accordance with market principles. As at 4 February 2016, NEIIC had completed the injection of capital in PEG L by way of cash and PEG L had obtained the new business license with registered capital of RMB1,632,970,000. For details, please refer to the relevant announcement of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 20 February 2016 and on the website of Hong Kong Stock Exchange on 19 February 2016.

III. MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2016, the Company endeavored to carry out works relating to quality improvement and efficiency enhancement. Focusing on cost reduction, efficiency improvement, and transformation and upgrade, it steadily pressed ahead adjustment of product structure and corporate structure while strengthening management of supply chain and control of costs and expenses. By optimizing management procedures, the working quality and efficiency were improved. The Company spreads the spirit of “craftsmanship”, aiming to improve working skills and advanced manufacturing level. In addition, the Company also continually enhanced corporate governance so as to operate in accordance with laws and regulations and develop in a scientific and stable manner.

During the Reporting Period, the Company recorded revenue from operations of RMB1,519,196,100, total profit of RMB92,762,600 and net profit attributable to shareholders of the parent company of RMB54,654,200.

3.1 Analysis of principal operating activities

3.1.1 Analysis of changes in relevant items in the financial statements of the Company (prepared in accordance with Accounting Standards for Business Enterprises of the People's Republic of China) (unaudited)

Unit: Yuan Currency: RMB

	Amount for the Period (January–June 2016)	Amount for the corresponding period of last year (January–June 2015)	Changes (%)
Operating income	1,519,196,108.29	1,647,734,769.34	-7.80
Operating costs	1,305,905,874.49	1,408,047,579.81	-7.25
Cost of sales	22,239,612.92	22,080,351.92	0.72
Administrative expenses	211,180,446.91	188,932,303.66	11.78
Financial expenses	-10,345,705.77	-2,796,183.86	N/A
Net cash flow from operating activities	81,935,334.93	-32,840,266.46	N/A
Net cash flow from investment activities	6,671,445.44	1,310,899.42	408.92
Net cash flow from financing activities	-920,126.73	47,305,793.60	-101.95
R&D expenses	94,501,619.24	92,023,735.46	2.69
Loss in assets impairment	-1,392,030.84	664,137.91	-309.60
Investment income	71,203,413.30	108,783,098.95	-34.55
Non-operating income	46,903,833.37	3,851,383.09	1,117.84
Non-operating expenses	2,762,465.36	1,761,179.54	56.85

Reasons for the changes:

- (1) Administrative expenses: mainly due to the increase in the technology development expenses and in the depreciation and amortization expenses during the period as compared with the previous period;
- (2) Financial expenses: mainly due to the decrease in interest expenses for short-term borrowings as compared with the previous period, and the increase in exchange gains as compared with the previous period resulting from changes in exchange rate during the period;
- (3) Net cash flows from operating activities: mainly due to the receipt of relocation compensation during the period;
- (4) Net cash flows from investing activities: mainly due to the purchase of wealth management products from banks;

- (5) Net cash flows from financing activities: mainly due to increase in cash paid for the repayment of short term bank borrowings during the previous period;
- (6) Loss in assets impairment: mainly due to reversal of provision for bad debts by the Company in accordance with the Accounting Standards for Business Enterprises during the period;
- (7) Investment income: mainly due to the decrease in associates' profit as confirmed by equity method during the period;
- (8) Non-operating revenues: mainly due to an increase in government subsidy recognized according to accounting standards during the period;
- (9) Non-operating expenses: mainly due to tax arising from the disposal of assets during the period.

3.1.2 Substantial changes of other financial indicators of the Company and their reasons (prepared in accordance with Accounting Standards for Business Enterprises of the People's Republic of China) (unaudited)

Unit: Yuan Currency: RMB

	30 June 2016	31 December 2015	Changes (%)
Bills receivables	130,181,491.27	196,107,157.14	-33.62
Interest receivables	–	994,401.51	-100.00
Construction in progress	8,332,270.40	4,643,526.54	79.44
Tax payables	4,093,945.27	27,980,335.62	-85.37
Dividends payables	73,912,080.31	4,181,545.34	1,667.58
Other current liabilities	16,756,600.00	40,756,600.00	-58.89

Reasons for the changes:

- (1) Bills payables: mainly due to the decrease in the amounts receivables settled by notes during the period;
- (2) Interest receivables: mainly due to the decrease in the interest of fixed-term deposits recognized during the period;
- (3) Construction in progress: mainly due to the construction of Phase I of Electronic Equipment Industrial Park;

- (4) Tax payables: mainly due to the decrease in value-added tax payables during the period;
- (5) Dividends payables: mainly due to the payment of dividends for the ordinary shares;
- (6) Other current liabilities: mainly due to the government subsidies recognized according to the accounting standards during the period.

3.1.3 Others

- (1) *Explanation on progress of the Company's financing activities and material asset reorganization in the previous period*

Upon approval of the non-public issue by the CSRC and other relevant commissions and ministries, the Company issued 258,823,529 A shares by way of non-public issue to raise proceeds amounting to RMB1.32 billion in June 2013. In the first half of 2016, the Company used the proceeds in accordance with the provisions and requirements under relevant laws, regulations and normative documents including using proceeds for investment projects, using the temporarily idle raised proceeds for purchase of principal-guaranteed bank wealth management products and allocation of the surplus proceeds for permanent supplement of working capital. For details please see the Specific Report on the Deposit and the Actual use of Proceeds Raised in the First Half of 2016 of by Nanjing Panda Electronics Company Limited (《南京熊猫电子股份有限公司2016年半年度募集资金存放与实际情况的专项报告》) (Lin 2016-051) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 31 August 2016 and on the website of the Hong Kong Stock Exchange on 30 August 2016.

- (2) *Explanation on progress of operational plan*

During the Reporting Period, the Company made great effort to implement the working missions and objectives in accordance with the 2016 operational plan. As the global economic recovery weakening and the domestic economic growth slowing down, the operation revenue and net profit of the Company declined as compared with the same period last year, the Company has strengthened its control over costs and expenses and proactively applied for government-supported projects, striving to improve its operation indicators. Besides, the Company also tried hard to enhance the added value of its products through insistent

investment in research and development and vigorous product structure adjustment and expanded the selling channels of intelligent manufacturing products by participating in the Essen Beijing Welding & Cutting Exhibition, collaborating with local governments and promotion on brand name. In addition, the construction of the base of Shanghai Panda Robot Technology Company Limited and the dormitory of Panda Electronic Equipment Park was advanced in a positive stance, and the works related to the employment of fresh graduates (i.e. new recruits) were well accomplished.

3.2 Analysis of principal operations by business, product or geographical region

3.2.1 Principal operations by business or product (prepared in accordance with Accounting Standards for Business Enterprises of the People's Republic of China) (unaudited)

Unit: Yuan Currency: RMB

	Principal operations by business					
	Operating income	Operating costs	Gross profit Margin (%)	Increase/decrease in operation income compared with last year (%)	Increase/decrease in operating costs compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
By business						
Electronic manufacturing services	452,225,210.50	403,056,661.80	10.87	-5.72	-2.33	-3.09
Electronic equipment products	614,748,938.42	532,008,484.67	13.46	-21.72	-22.06	0.38
Consumer electronics products	322,654,386.99	291,473,254.13	9.66	21.60	23.20	-1.17

By product	Principal operations by product					
	Operating income	Operating costs	Gross profit Margin (%)	Increase/decrease in operating income compared with last year (%)	Increase/decrease in operating costs compared with last year (%)	Increase/decrease in gross profit margin compared with last year (%)
Railway transit products	52,876,436.94	31,889,176.87	39.69	-64.79	-74.90	24.28
System integration and building intellectualization products	216,247,458.06	194,719,934.23	9.96	10.89	7.52	2.83
Industrial automation equipment	303,954,020.97	285,593,011.95	6.04	-22.68	-18.88	-4.4
Communication system	25,993,088.93	11,986,607.10	53.89	-18.70	-30.79	8.06
Plastic injection molding	176,698,876.53	167,270,158.44	5.34	-26.29	-21.78	-5.45
Surface mounting	267,322,027.89	226,677,414.26	15.20	14.43	16.72	-1.67
Digital products	309,244,848.72	278,277,733.18	10.01	17.39	19.97	-1.93
Rental property	87,315,890.10	45,964,101.64	47.36	14.47	22.53	-3.46

Explanation of principal operations by business and products:

The Company's principal subsidiaries are all in the communication, electronic equipment manufacturing and other related industries. During the Reporting Period, due to the decline in plastic injection modeling business, sales revenue of electronic manufacturing services decreased by 5.72% as compared with the same period last year. Operating revenue of electronic equipment products decreased by 21.72%, mainly due to the decrease in sales revenue of railway transit products during the period. Sales revenue of consumer electronics products, however, increased by 21.60% as compared with the same period last year as a result of the business growth of digital products and others products.

As a result of different time points for project settlement, sales revenue of railway transit products decreased by 64.79% as compared with the same period last.

3.2.2 Principal operations by geographical regions

Unit: Yuan Currency: RMB

By geographical regions	Operation income	Changes as compared to the previous year (%)
Nanjing	1,202,675,521.38	-9.82
Shenzhen	298,962,023.46	-2.23

Explanation of principal operations by geographical regions:

The Company's principal operations are primarily located in Nanjing and Shenzhen. During the Reporting Period, sales revenue of the Nanjing segment decreased by 9.82% as compared with the same period last year due to decrease in rail transit business. Sales revenue of the Shenzhen segment, decreased by 2.23% over the same period of the preceding year due to fierce competition in the tablet market and the stagnant overseas market.

3.3 Analysis of investment

3.3.1 Overall analysis of equity investment

During the Reporting Period, Shenzhen Jinghua, a holding subsidiary of the Company invested RMB300,000 in Shenzhen Chebao Information Technology Co., Ltd. (深圳市車寶信息科技有限公司), acquiring 30% equity interest of the latter. Shenzhen Chebao Information Technology Co., Ltd. is a company from the Internet-of-vehicle industry operating on the basis of cloud platforms such as vehicle voice operation, traffic information and multi-media.

3.3.2 Entrusted wealth management and derivatives investment

(1) Entrusted wealth management products

As considered and approved at the extraordinary meeting of the eighth session of the Board on 16 September 2015, in hope of maximizing shareholders' interest, improving the efficiency of raised proceeds use, increasing revenues considerably and reducing financial expenses, the Company was allowed to use temporarily idle raised proceeds in the amount of not more than RMB480 million (inclusive) to invest in highly safe and liquid products with principal preservation terms for a term of one year with effect from the date of approval by the Board, provided that raised proceed investment plans are not affected. For details please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (Lin 2015-059) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 17 September 2015 and on the website of the Hong Kong Stock Exchange on 16 September 2015 respectively.

In the first half of 2016, the temporarily idle raised proceeds 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 2016, balance of temporarily idle raised proceeds used in purchasing principal-guarantee bank wealth management products was RMB414,000,000; as at 30 August 2016, the balance was RMB206,000,000.

As considered and approved at the eighth extraordinary meeting of the eighth session of the Board on 30 June 2016, the Company was allowed to use temporarily idle raised proceeds in the amount of not more than RMB200 million (inclusive) to purchase principal-guarantee bank wealth management products with lower risks for a term of not more than 12 months within one year from the date of approval by the Board, and the General Manager was authorized to execute relevant matters within the limit. The independent Directors of the Company have agreed on it. For details please refer to the Announcement on Use of Temporarily Idle Raised Proceeds for Cash Management of Nanjing Panda Electronics Company Limited (Lin 2016-037) published on China Securities Journal, Shanghai Securities News and the website of the Shanghai Stock Exchange on 1 July 2016 and on the website of the Hong Kong Stock Exchange on 30 June 2016.

As at 30 August 2016, balance of proceeds used in purchasing principal-guarantee bank wealth management products was RMB200,000,000.

During the Reporting Period, temporarily idle raised proceeds used in purchasing the entrusted wealth management products by the Company and its subsidiaries are as follows:

Unit: 0'000 Yuan Currency: RMB

No.	Name of Partner	Product type of entrusted wealth management	Amount of entrusted wealth management	Start date of entrusted wealth management	End date of entrusted wealth management	Method to determine return (annual rate of return %)	Expected return	Actual amount of principal recovered	Actual return obtained	Through a legal procedure or not	Amount of provision for the impairment	Connected transaction or not	Involved in a litigation or not	Source of proceeds and explain whether it is raised proceeds	Connected relationship
1	Bank of Communications Company Limited	Principal-guaranteed with floating returns	5,000	2016-1-20	Floating date	1.95-3.25		2,800	3.11	Yes	N/A	No	No	Yes	N/A
2	Bank of Communications Company Limited	Return-guaranteed	14,900	2016-2-29	2016-4-29	3.30		14,900	80.83	Yes	N/A	No	No	Yes	N/A
3	Shanghai Pudong Development Bank Co., Ltd.	Return-guaranteed	1,000	2016-2-25	2016-3-24	3.30		1,000	20.02	Yes	N/A	No	No	Yes	N/A
4	Shanghai Pudong Development Bank Co., Ltd.	Return-guaranteed	10,100	2016-3-30	2016-5-3	3.15		10,100	29.16	Yes	N/A	No	No	Yes	N/A
5	Shanghai Pudong Development Bank Co., Ltd.	Return-guaranteed	1,000	2016-4-1	2016-7-1	3.15				Yes	N/A	No	No	Yes	N/A
6	Ping An Bank Co., Ltd.	Principal-guaranteed	10,500	2016-5-19	2016-6-16	2.70		10,500	21.75	Yes	N/A	No	No	Yes	N/A
7	Ping An Bank Co., Ltd.	Principal-guaranteed	11,800	2016-5-19	2016-8-15	2.90				Yes	N/A	No	No	Yes	N/A
8	Bank of Communications Company Limited	Return-guaranteed	5,600	2016-5-23	2016-8-22	3.20				Yes	N/A	No	No	Yes	N/A
9	Shanghai Pudong Development Bank Co., Ltd.	Return-guaranteed	10,300	2016-6-8	2016-7-12	2.75				Yes	N/A	No	No	Yes	N/A
10	Ping An Bank Co., Ltd.	Principal-guaranteed	10,500	2016-6-16	2016-7-14	3.00				Yes	N/A	No	No	Yes	N/A
Total			80,700	/	/	/		39,300	154.87	/	/	/	/	/	/

Principal and accumulated returns overdue but yet to recover (RMB)

Nil

Explanations on entrust wealth management

For particulars on temporarily idle raised proceeds used in purchasing bank wealth management products mentioned above, please refer to the Announcements 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 2016-002, 005, 006, 015, 021, 023, 030, 032) published in China Securities Journal and Shanghai Securities News and on the website of Shanghai Stock Exchange on 22 January, 27 February, 1 March, 1 April, 20 May, 24 May, 8 June, 22 June in 2016, respectively, and the announcements of the Company published on the website of the Hong Kong Stock Exchange on 21 January, 26 February, 29 February, 31 March, 19 May, 23 May, 7 June, 21 June in 2016, respectively.

As at 30 June 2016, save for the wealth management products which remained outstanding at the end of the period, the Company recovered the proceeds that were used to purchase principal-guaranteed wealth management products and the return thereof as scheduled. For the wealth management products which remain outstanding (No. 5, 7, 8, 9, 10 in sequence), principal and returns were recovered as scheduled on the due dates.

3.3.3 Use of raised proceeds

(1) Explanation of the overall utilization of the raised proceeds

Unit: 0'000 Currency: RMB

Year of fundraising	Fundraising method	Total proceeds	Total amount used in the Reporting Period	Total amount used on an accumulative basis	Total unutilized amount	Use and the disposition of the unutilized proceeds
2013	Non-public issue	129,440	3,797	91,474	37,966	<p>1. As considered and approved at the 4th meeting of the eighth session of the Board and the 2015 annual general meeting of the Company, remaining raised proceeds of the "Industrialization Project of Electronic Equipment for Transportation" and the "R&D centers Project" is to be used for permanently supplementing working capital and in production and operation. Differences between the accumulated investment and the committed investment of the aforementioned projects totaled RMB204.36 million.</p> <p>2. Differences between the accumulated investment and the committed investment of the "Automatic Equipment Industrialization Project" and the "Industrialization Project of Communication Equipment" totaled RMB175.30 million, which will be continuously invested into these two raised proceeds investment projects.</p>
Total	/	<u>129,440</u>	<u>3,797</u>	<u>91,474</u>	<u>37,966</u>	/

Explanation of the overall utilization of the raised proceeds

As at 30 June 2016, the Company has accumulatively used RMB918.58 million (including the payment of issue expenses of RMB3.84 million) of the raised proceeds, with a balance of RMB31.57 million left in the special account of raised proceeds. Difference between the utilized amounts and the actual proceeds raised of RMB1,298.24 million amounted to RMB348.09 million, mainly representing the accumulated interest of the deposited raised proceeds, the net interest income from wealth management products (after deducting bank commissions) and the principal of outstanding wealth management products as at the end of the period. For details, please refer the Specific Report on the Deposit and the Actual Use of Proceeds Raised in the First Half of 2016 of Nanjing Panda Electronics Company Limited (Lin 2016-051) (《南京熊猫电子股份有限公司2016年半年度募集资金存放与使用情况的专项报告》(临2016-051)) of the Company published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 31 August 2016 and on the website of the Hong Kong Stock Exchange on 30 August 2016.

(2) *Utilisation of proceeds in the committed projects*

Unit: 0'000 Currency: RMB

Name of Projects under capital commitment	Any changes to the project	Proposed amount of investment	Amount invested during the Reporting Period	Total actual amount invested	Progress planned as or not	Project Progress (%)	Expected return	Return generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve returns as expected	Reason for change and notes to the process of the change in the raised proceeds
Automatic Equipment Industrialization Project	Yes	59,003	3,752	51,571	No	87.40	N/A	N/A	N/A	Note 2	Upon consideration and approval of the extraordinary meeting of the seven session of the Board, it was approved that Electronics Equipment Company be added as the implementing entities of the “Automation Equipment Industrialization Project”. Electronics Equipment Company will take charge of equipment procurement and operation of the project, while Technology Development Company will be in charge of plant construction and related work for the project. The above resolution in relation to the additions of the implementing entities for the proceeds investment projects was considered and passed at the first extraordinary general meeting of 2013 of the Company.
Industrialization Project of Communication Equipment	Yes	24,544	39	14,446	No	58.86	N/A	N/A	N/A	Note 2	Upon consideration and approval of the extraordinary meeting of the seven session of the Board, it was approved that Communications Technology Company be added as the implementing entities of the “Communication Equipment Industrialization Project”. Communications Technology Company will take charge of equipment procurement and operation of the project, while Technology Development Company will be in charge of plant construction and related work for the project. The above resolution in relation to the additions of the implementing entities for the proceeds investment projects was considered and passed at the first extraordinary general meeting of 2013 of the Company.

Name of Projects under capital commitment	Any changes to the project	Proposed amount of investment	Amount invested during the Reporting Period	Total actual amount invested	Progress planned as or not	Project Progress (%)	Expected return	Return generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve returns as expected
R&D centers Project	No	20,938	6	11,500	Achieved the intended usable condition in December 2015	54.92 <i>Note 1</i>	N/A	N/A	N/A	Reason for change and notes to the process of the change in the raised proceeds
Industrialization Project of Electronic Equipment for Transportation	No	14,955		3,957	Achieved the intended usable condition in December 2015	26.46 <i>Note 1</i>	N/A	N/A	N/A	
Supplementing working capital	No	10,000		10,000	Yes	100.00		N/A	N/A	
Total	/	129,440	3,797	91,474	/	/	/	/	/	/

Explanation of utilisation of proceeds in the committed projects

Note 1: Such projects have been completed. As considered and approved at the 4th meeting of the eighth session of the Board and the 2015 annual general meeting of the Company, remaining raised proceeds of the “Industrialization Project of Electronic Equipment for Transportation” and the “R&D centers Project” is to be used for permanently supplementing working capital and in production and operation.

Note 2: The commencement of construction of the building project under the investment project has been delayed due to the changes and improvements made to the design plan, which resulted in failure of the “Automatic Equipment Industrialization Project” and the “Industrialization Project of Communication Equipment” to achieve their intended usable condition on time. Thus, the industrialization project of automation equipment industry and the industrialization project of communications equipment industry cannot realize investment benefits for the moment. The Company made every effort to mitigate the implications and facilitate the implementation of the raised proceeds investment project.

(3) *Changes in Proceeds Investment Projects: N/A*

3.3.4 Analysis of major subsidiaries and investee companies

For the purpose of further optimization of corporate structure, simplification of management structure and improvement of work efficiency, the Company has disposed the stagnant and lower grade subsidiaries, under the condition that the relevant operation and business will not be affected. Nanjing Panda Power Sources Technology Co., Ltd., (南京熊猫电源科技有限公司) a holding subsidiary of the Company, completed its procedure of deregistration on 5 May 2016. Shenzhen XingJinghua Packing Products Co., Ltd., (深圳市興京華包裝製品有限公司) a third-tier subsidiary of the Company, completed its procedure of deregistration on 23 February, 2016. Dongguan XingJinghua Plastic Products Co., Ltd., (東莞市興京華塑料製品有限公司) a third-tier subsidiary of the Company, completed its equity transfer on 21 June 2016. The overall production, operation and performance of the Company is not affected by the above deregistrations and equity transfer.

(1) *Information of major Subsidiaries*

Unit: 0'000 Currency: RMB

Subsidiary	Major products or services	30 June 2016		January to June 2016		
		Registered Capital	Total assets	Net assets	Operating income	Net Profit
Nanjing Panda Electronics Equipment Co., Ltd.	Manufacture and sale of automatic transmission equipment and industrial robots	19,000	72,404.22	29,969.39	28,794.25	1,118.75
Nanjing Panda Information Industry Co., Ltd.	Production and sale of AFC and ACC systems and equipment of railway transit, building intellectualization and system integration	USD3,194.64	98,220.60	29,382.90	34,771.05	1,144.92
Nanjing Panda Electronics Manufacturing Co., Ltd.	EMS services	USD2,000	54,336.83	32,318.83	27,152.36	2,006.99

Subsidiary	Major products or services	30 June 2016		January to June 2016		
		Registered Capital	Total assets	Net assets	Operating income	Net Profit
Nanjing Panda Communications Technology Co., Ltd.	Manufacture and sale of mobile communication, digital communication and network communication systems and products	10,000	16,193.92	13,682.82	2,576.53	355.36
Nanjing Panda Xinxing Industrial Co., Ltd.	Property and catering services	2,000	5,238.83	2,843.73	6,091.57	210.79
Nanjing Panda Electronics Technology Development Company Limited	Manufacturing of general purpose equipment, software development, and property management	70,000	79,839.50	67,049.22	841.03	-828.81
Shenzhen Jingwah Electronics Co., Ltd.	Research and development, manufacturing and sales of communication equipment and digital products	11,507	50,078.58	35,094.92	29,896.20	3,594.83

(2) Information of major investee companies (January to June 2016)

Unit: 0'000 Currency: RMB

Name of investee company	Operating income	Net Profit	Shareholding held by the Company	Investment
				income received by the Company
Nanjing Ericsson Panda Communication Co., Ltd.	597,127	19,398	27%	5,237
Beijing SE Putian Mobile Communication Co., Ltd.	720,263	5,071	20%	1,014

3.4 Plan for Profit Distribution or Capitalization of Capital Reserve

3.4.1 Implementation of profit distribution plan or adjustment thereto during the Reporting Period

Pursuant to the Company's profit distribution plan for 2015 which was considered and approved at the fourth meeting of the eighth session of the Board and the 2015 annual general meeting of the Company, a cash dividend of RMB0.68 (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 2015, with the total cash dividend distributed amounting to RMB62,141,000, and the remaining portion was to be carried forward to next year. The Company would not make any capitalization of capital reserve. As at the reporting date, the implementation of the profit distribution plan was fully completed. 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 22 March 2016, 1 July 2016 and 8 July 2016 and on the website of the Hong Kong Stock Exchange on 22 March 2016, 23 June 2016 and 7 July 2016 respectively.

3.4.2 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 year of 2016.

3.5 Other matters

3.5.1 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 2016, the Company's gearing ratio (the ratio of total liabilities to total assets) was 32.52%; current liabilities amounted to RMB1,644 million; liquidity ratio was 2.14; quick ratio was 1.94; bank deposits and cash amounted to RMB1,056 million; and short-term bank and other loans amounted to RMBnil.

During the Reporting Period, the benchmark interest rate on 1-year RMB loans from financial institutions was 4.35%.

3.5.2 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.

3.5.3 Liability insurance for Directors and senior management

During the reporting period, the Company purchased liability insurance for its Directors and senior management in compliance with the Main Board Listing Rules issued by the Hong Kong Stock Exchange.

3.5.4 Corporate Governance Code

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

3.5.5 Compliance of 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.

3.6 Audit committee

The audit committee and the management of the Company have reviewed the accounting principles and accounting standards and methods adopted by the Company, discussed 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 19 March 2016 to review the Company’s 2015 financial report and the summary report on the 2015 annual audit by the accounting firms and agreed to submit the same to the Board for review. The reappointment 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 2016 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 2016, 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.

IV. MATTERS RELATING TO THE FINANCIAL REPORT

- 4.1** For any changes in accounting policies, accounting estimations and accounting methods during the reporting period as compared with the last financial report, the Company should explain about the situation, reason and its impact.

N/A

- 4.2** For retrospective restatement of major accounting errors during the reporting period, the Company should explain about the situation, rectify the amount, reason and its impact.

N/A

- 4.3** For changes in the consolidation scope of the financial statements as compared to the last financial report, the Company should provide specific explanation.

4.3.1 Dongguan XingJinghua Plastic Products Co., Ltd. (東莞市興京華塑料製品有限公司), a third-tier subsidiary of the Company, was disposed during the Reporting Period. After its disposal, its account ceased to be included in the consolidation account of the Company.

4.3.2 Nanjing Panda Power Sources Technology Co., Ltd. (南京熊貓電源科技有限公司), a second-tier subsidiary of the Company was deregistered on 5 May 2016. Before its deregistration and liquidation, it has been included into consolidated financial statements of the Company appropriately.

4.3.3 Shenzhen XingJinghua Packing Products Co., Ltd. (深圳市興京華包裝製品有限公司), a third-tier subsidiary of the Company, was deregistered on 23 February 2016. Before its deregistration and liquidation, it has been included into consolidated financial statements of the Company appropriately.

- 4.4** The Board and the Supervisory committee shall explain about the relevant matters if the Interim Financial Report has been audited and the non-standard auditor's report has been issued.

N/A

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

(I) The financial statements of the Company for the Reporting Period are unaudited

(II) Financial statements (prepared in accordance with the PRC Accounting Standards for Business Enterprises)

Consolidated Balance Sheet

30 June 2016

Prepared by: Nanjing Panda Electronics Company Limited *Unit: RMB*

Assets	Closing Balance	Opening balance
Current assets:		
Cash and cash equivalents	1,055,633,708.94	962,222,126.94
Settlement reserves		
Lending to banks and other financial institutions		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Bills receivables	130,181,491.27	196,107,157.14
Accounts receivables	1,125,407,283.11	1,043,468,726.23
Prepayments	163,345,307.98	128,556,264.84
Premium receivable		
Accounts receivable – reinsurance		
Reinsurance contract reserves receivable		
Interest receivables		994,401.51
Dividends receivables		
Other receivables	93,203,516.84	102,598,457.58
Financial assets purchased under agreements to resell		
Inventories	544,293,882.35	426,929,637.85
Assets classified as assets held for sale		
Non-current assets due within one year		
Other current assets	414,000,000.00	457,000,000.00
Total current assets	3,526,065,190.49	3,317,876,772.09

Consolidated Balance Sheet (continued)*30 June 2016*

Assets	Closing Balance	Opening balance
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	510,623,518.24	447,693,693.59
Investment properties	8,991,528.50	9,512,701.03
Fixed assets	965,061,550.77	988,924,408.37
Construction in progress	8,332,270.40	4,643,526.54
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	100,618,587.73	104,391,407.06
R&D expenses		
Goodwill		
Long-term deferred expenses	6,992,201.67	8,306,199.54
Deferred income tax assets	6,434,413.23	6,800,695.69
Other non-current assets		
Total non-current assets	<u>1,610,704,070.54</u>	<u>1,573,922,631.82</u>
Total assets	<u>5,136,769,261.03</u>	<u>4,891,799,403.91</u>

Consolidated Balance Sheet *(continued)*
30 June 2016

Liabilities and shareholders' equity	Closing Balance	Opening balance
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Deposit taking and deposit taking of interbank		
Placements from banks and other financial institutions		
Financial liabilities at FVTPL		
Derivative financial liabilities		
Bills payables	120,862,617.56	93,283,710.62
Accounts payables	1,105,573,219.53	910,699,210.48
Receipts in advance	139,312,460.16	139,640,661.64
Financial assets sold for repurchase		
Handling charges and commission payable		
Employee compensation payable	28,916,734.65	30,876,393.03
Tax payables	4,093,945.27	27,980,335.62
Interest payables		
Dividends payables	73,912,080.31	4,181,545.34
Other payables	154,712,316.74	157,985,511.78
Due to reinsurers		
Insurance contract reserves		
Customer deposits for trading in securities		
Customer deposits for securities underwriting		
Liabilities classified as assets held for sale		
Non-current liabilities due within one year		
Other current liabilities	16,756,600.00	40,756,600.00
Total current liabilities	<u>1,644,139,974.22</u>	<u>1,405,403,968.51</u>

Consolidated Balance Sheet (continued)*30 June 2016*

Liabilities and shareholders' equity	Closing Balance	Opening balance
Non-current liabilities:		
Long-term borrowings		
Bonds payables		
Long-term payables		
Long-term employee remuneration payables	26,139,803.01	26,276,064.59
Special payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities	179,548.82	226,137.51
Other non-current liabilities		
Total non-current liabilities	<u>26,319,351.83</u>	<u>26,502,202.10</u>
Total Liabilities	<u>1,670,459,326.05</u>	<u>1,431,906,170.61</u>
Shareholder's equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Capital reserve	1,464,242,139.28	1,464,242,139.28
Less: Treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	245,831,957.46	245,831,957.46
General risk reserve		
Undistributed profit	<u>631,879,973.06</u>	<u>639,366,753.93</u>
Subtotal of shareholders' equity attributable to parent company	<u>3,255,792,598.80</u>	<u>3,263,279,379.67</u>
Minority interests	<u>210,517,336.18</u>	<u>196,613,853.63</u>
Total shareholders' equity	<u>3,466,309,934.98</u>	<u>3,459,893,233.30</u>
Total liabilities and shareholders' equity	<u>5,136,769,261.03</u>	<u>4,891,799,403.91</u>

Legal representative:
Xia Dechuan

*Person in charge of
accounting:*
Shen Jianlong

*Person in charge of
accounting department:*
Liu Xianfang

Consolidated Income Statement

January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the Period	Amount in corresponding period last year
I. Total operating income	1,519,196,108.29	1,647,734,769.34
Including: Operating income	1,519,196,108.29	1,647,734,769.34
Interest income		
Premiums earned		
Handling charges and commission income		
II. Total operating cost	1,541,778,314.35	1,633,625,509.38
Including: Operating costs	1,305,905,874.49	1,408,047,579.81
Interest expenses		
Handling charges and commission expenditure		
Surrender value		
Net payments for insurance claims		
Net appropriation of insurance contract reserves		
Bond insurance expense		
Amortized reinsurance expenditures		
Business tax and surcharges	14,190,116.64	16,697,319.94
Cost of sales	22,239,612.92	22,080,351.92
Administrative expenses	211,180,446.91	188,932,303.66
Financial expenses	-10,345,705.77	-2,796,183.86
Impairment losses of assets	-1,392,030.84	664,137.91
Plus: Gains from changes in fair value (losses are indicated by “-”)		
Investment gain (losses are indicated by “-”)	71,203,413.30	108,783,098.95
Including: Investment income in associates and joint ventures	62,809,824.65	97,385,816.56
Exchange revenue (losses are indicated by “-”)		

Consolidated Income Statement *(continued)*
January – June 2016

Item	In the Period	Amount in corresponding period last year
III. Operating profit (losses are indicated by “-”)	48,621,207.24	122,892,358.91
Plus: Non-operating income	46,903,833.37	3,851,383.09
Including: Gains on disposal of non-current assets	45,509.52	451,973.27
Less: Non-operating expense	2,762,465.36	1,761,179.54
Including: Losses from disposal of non- current assets	53,712.46	1,064,206.74
IV. Total profit (total losses are indicated by “-”)	92,762,575.25	124,982,562.46
Less: Income tax expenses	15,762,060.19	15,390,616.29
V. Net profit (net losses are indicated by “-”)	77,000,515.06	109,591,946.17
Net profit attributable to owners of the parent company	54,654,239.10	87,625,888.80
Minority interests	22,346,275.96	21,966,057.37
VI. Other comprehensive after-tax net income		
Total other comprehensive after-tax net income attributable to shareholders of the parent company		
(I) Other comprehensive income that can not be reclassified into the profit or loss subsequently		
1. Changes in net liabilities or net assets resulting from re-measurement of defined benefit pension plan		
2. Shares of the investee that can not be re- classified into other comprehensive income under equity method		

Consolidated Income Statement *(continued)*
January – June 2016

Item	In the Period	Amount in corresponding period last year
(II) Other comprehensive income to be reclassified into the profit or loss subsequently		
1. Shares of the investee to be re-classified into other comprehensive income subsequently under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from held-to-maturity investments re-classified as AFS financial assets		
4. Gains and losses on the effective portion of cash flow hedge		
5. Converted difference in foreign currency financial statements		
6. Others		
Total other comprehensive after-tax net income attributable to the minority		
VII. Total comprehensive income	77,000,515.06	109,591,946.17
Total comprehensive income attributable to shareholders of the parent company	54,654,239.10	87,625,888.80
Total comprehensive income attributable to minority	22,346,275.96	21,966,057.37
VIII. Earnings per share:		
(I) Basic earnings per share	0.0598	0.0959
(II) Diluted earnings per share	0.0598	0.0959
<i>Legal representative:</i> Xia Dechuan	<i>Person in charge of accounting:</i> Shen Jianlong	<i>Person in charge of accounting department:</i> Liu Xianfang

Consolidated Statement of Changes in Shareholders' Equity

January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the Period									
	Shareholders' equity attributable to parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	Total of shareholders' equity
I. Balance at the end of last year	913,838,529.00	1,464,242,139.28				245,831,957.46		639,366,753.93	196,613,853.63	3,459,893,233.30
Plus: alternation to accounting policies										
Correction to previous errors										
Business combinations involving enterprises under common control										
Others										
II. Balance at the beginning of the year	913,838,529.00	1,464,242,139.28				245,831,957.46		639,366,753.93	196,613,853.63	3,459,893,233.30
III. Changes for the period (decrease is indicated by "-")										
(I) Total comprehensive income								-7,486,780.87	13,903,482.55	6,416,701.68
(II) Shareholders' contributions and capital reduction								54,654,239.10	22,346,275.96	77,000,515.06
1. Shareholders' capital contributions									-842,793.41	-842,793.41
2. Capital contributed by owners of other equity instruments										
3. Share based payments credited to shareholders' equity										
4. Others									-842,793.41	-842,793.41
(III) Profit distribution								-62,141,019.97	-7,600,000.00	-69,741,019.97
1. Appropriation of surplus reserve										
2. Appropriation of general risk reserve										
3. Distribution to shareholders								-62,141,019.97	-7,600,000.00	-69,741,019.97
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Compensation of loss with surplus reserves										
4. Changes in net liabilities or net assets resulting from carry-forward of re-measurement of defined benefit pension plan										
5. Others										
(V) Appropriation and utilisation of special reserve										
1. Appropriation for the period										
2. Amount utilised in the period										
(VI) Others										
IV. Closing balance at the end of the year	913,838,529.00	1,464,242,139.28				245,831,957.46		631,879,973.06	210,517,336.18	3,466,309,934.98

Legal representative:
Xia Dechuan

Person in charge of
accounting:
Shen Jianlong

Person in charge of
accounting department:
Liu Xianfang

Consolidated Statement of Changes in Shareholders' Equity (Continued)

January – June 2016

Item	Amount in corresponding period last year									
	Shareholders' equity attributable to parent company									
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	Total of shareholders' equity
I. Balance at the end of last year	913,838,529.00	1,463,439,040.01				234,802,138.28		566,873,252.64	204,508,444.20	3,383,461,404.13
Plus: alternation to accounting policies										
Correction to previous errors										
Business combinations involving enterprises under common control										
Others										
II. Balance at the beginning of the year	913,838,529.00	1,463,439,040.01				234,802,138.28		566,873,252.64	204,508,444.20	3,383,461,404.13
III. Changes for the period										
(decrease is indicated by "-")		899,702.65						27,312,545.88	11,068,479.45	39,280,727.98
(I) Total comprehensive income								87,625,888.80	21,966,057.37	109,591,946.17
(II) Shareholders' contributions and capital reduction		899,702.65							-10,897,577.92	-9,997,875.27
1. Shareholders' capital contributions										
2. Capital contributed by owners of other equity instruments										
3. Share based payments credited to shareholders' equity										
4. Others		899,702.65							-10,897,577.92	-9,997,875.27
(III) Profit distribution								-60,313,342.92		-60,313,342.92
1. Appropriation of surplus reserve										
2. Appropriation of general risk reserve										
3. Distribution to shareholders								-60,313,342.92		-60,313,342.92
4. Others										
(V) Internal carry-forward of shareholders' equity										
1. Conversion of capital reserve into share capital										
2. Conversion of surplus reserve into share capital										
3. Compensation of loss with surplus reserves										
4. Changes in net liabilities or net assets resulting from carry-forward of re-measurement of defined benefit pension plan										
5. Others										
(V) Appropriation and utilisation of special reserve										
1. Appropriation for the period										
2. Amount utilised in the period										
(VI) Others										
IV. Closing balance at the end of the year	913,838,529.00	1,464,338,742.66				234,802,138.28		594,185,798.52	215,576,923.65	3,422,742,132.11

Legal representative:
Xia Dechuan

Person in charge of
accounting:
Shen Jianlong

Person in charge of
accounting department:
Liu Xianfang

Consolidated Cash Flow Statement

January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the Period	Amount in corresponding period last year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	1,581,353,290.64	1,817,363,083.42
Customer deposit and net increase in deposit from other banks		
Net increase in borrowings from central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits and investment from policyholders		
Net increase from disposal of financial assets measured at fair value and change included in the profit and loss for the period		
Cash received from interests, handling charges and commission expenditure		
Net increase in placements from banks and other financial institutions		
Net increase in repurchase business funds		
Received tax refunds	31,547,506.42	13,425,362.20
Other cash received related to operating activities	173,596,199.44	94,934,434.90
Sub-total of cash inflows from operating activities	1,786,496,996.50	1,925,722,880.52

Consolidated Cash Flow Statement (continued)
January – June 2016

Item	In the Period	Amount in corresponding period last year
Cash paid for sales of goods or rendering of services	1,263,410,097.45	1,431,749,372.33
Net increase in customer loan and advance in cash		
Net increase in deposit in the central bank and other banks		
Cash paid for indemnity of original insurance contract		
Cash paid for interests, handling charges and commission expenditure		
Cash paid for policy dividend		
Cash paid to and for employees	198,328,594.71	215,638,662.28
Cash paid for various taxes	78,527,479.87	117,966,692.08
Other payments related to operating activities	164,295,489.54	193,208,420.29
Sub-total of cash outflows from operating activities	1,704,561,661.57	1,958,563,146.98
Net cash flow from operating activities	81,935,334.93	-32,840,266.46
II. Cash flow from investing activities:		
Cash from realization of investment		
Cash received from returns on investments	8,393,588.65	11,397,282.39
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	93,000.00	3,687,345.82
Net cash received from the disposal of subsidiaries and other operating entities		
Other cash received related to investment activities	1,156,000,000.00	1,409,500,000.00
Sub-total of cash inflows from investing activities	1,164,486,588.65	1,424,584,628.21
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	44,515,143.21	72,775,853.52
Cash paid for investment	300,000.00	
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other operating entities		9,997,875.27
Other cash received related to investment activities	1,113,000,000.00	1,340,500,000.00
Sub-total of cash outflows from investing activities	1,157,815,143.21	1,423,273,728.79
Net cash flow from investing activities	6,671,445.44	1,310,899.42

Consolidated Cash Flow Statement *(continued)*
January – June 2016

Item	In the Period	Amount in corresponding period last year
III. Cash flows from financing activities:		
Cash received from capital contribution		
Including: Cash received by absorbing investments of minority by subsidiaries		
Cash received from borrowings	20,000,000.00	120,000,000.00
Cash received from issuing bonds		
Other cash received related to financing activities		
Sub-total of cash inflows from financing activities	20,000,000.00	120,000,000.00
Cash paid for repayments of borrowings	20,000,000.00	70,000,000.00
Cash payment for interest expenses and distribution of dividends or profits	920,126.73	2,694,206.40
Including: Dividend and profit paid by subsidiaries to minority shareholders	842,793.40	16,206.40
Other cash payments related to financing activities		
Sub-total of cash outflows from financing activities	20,920,126.73	72,694,206.40
Net cash flow from financing activities	-920,126.73	47,305,793.60
IV. Effect of exchange rate changes on cash and cash equivalents	-2,390,734.16	2,109,202.51
V. Net increase in cash and cash equivalents	85,295,919.48	17,885,629.07
Plus: Opening balance of cash and cash equivalents	853,805,263.06	712,357,169.28
VI. Closing balance of cash and cash equivalents	939,101,182.54	730,242,798.35

Legal representative:
Xia Dechuan

*Person in charge of
accounting:*
Shen Jianlong

*Person in charge of
accounting department:*
Liu Xianfang

Balance Sheet*30 June 2016*

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Assets	Closing Balance	Opening balance
Current assets:		
Cash and cash equivalents	100,087,546.55	95,074,660.13
Settlement reserves		
Lending to banks and other financial institutions		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Bills receivables	3,000,000.00	18,000,000.00
Accounts receivables	62,317,210.81	84,227,954.78
Prepayments	2,230,930.20	2,097,095.90
Premium receivable		
Accounts receivable – reinsurance		
Reinsurance contract reserves receivable		
Interest receivables		
Dividends receivables	1,973,887.56	1,973,887.56
Other receivables	259,272,271.61	282,783,700.03
Financial assets purchased under agreements to resell		
Inventories	23,682,172.36	25,198,140.07
Assets classified as assets held for sale		
Non-current assets due within one year		
Other current assets	404,000,000.00	447,000,000.00
Total current assets	856,564,019.09	956,355,438.47

Balance Sheet *(continued)*
30 June 2016

Assets	Closing Balance	Opening balance
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	3,650,000.00	3,650,000.00
Held-to-maturity investment		
Long-term receivables		
Long-term equity investments	1,963,020,610.49	1,900,502,624.42
Investment properties		
Fixed assets	356,680,020.94	365,690,219.32
Construction in progress	355,096.74	824,628.20
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil & gas assets		
Intangible assets	13,682,552.43	13,496,814.23
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	<u>2,337,388,280.60</u>	<u>2,284,164,286.17</u>
Total assets	<u>3,193,952,299.69</u>	<u>3,240,519,724.64</u>

Balance Sheet *(continued)*
30 June 2016

Liabilities and shareholders' equity	Closing Balance	Opening balance
Current liabilities:		
Short-term borrowings		
Borrowings from central bank		
Deposit taking and deposit taking of interbank		
Financial liabilities at FVTPL		
Derivative financial liabilities		
Placements from banks and other financial institutions		
Bills payables	11,048,627.88	5,000,441.06
Accounts payables	42,650,515.95	36,186,447.59
Receipts in advance	6,875,972.32	2,844,371.04
Financial assets sold for repurchase		
Handling charges and commission payable		
Employee compensation payable	11,070,167.67	4,950,679.68
Tax payables	7,692,421.89	6,031,331.58
Interest payables		
Dividends payables	62,141,019.97	
Other payables	222,824,914.13	301,578,396.56
Due to reinsurers		
Insurance contract reserves		
Customer deposits for trading in securities		
Customer deposits for securities underwriting		
Liabilities classified as assets held for sale		
Non-current liabilities due within one year		
Other current liabilities	2,256,600.00	2,256,600.00
Total current liabilities	366,560,239.81	358,848,267.51

Balance Sheet *(continued)*
30 June 2016

Liabilities and shareholders' equity	Closing Balance	Opening balance
Non-current liabilities:		
Long-term borrowings		
Bonds payables		
Long-term payables		
Long-term employee remuneration payables	12,935,667.64	12,959,937.89
Special payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	12,935,667.64	12,959,937.89
Total Liabilities	379,495,907.45	371,808,205.40
Shareholder's equity:		
Share capital	913,838,529.00	913,838,529.00
Other equity instruments		
Capital reserve	1,434,870,834.28	1,434,870,834.28
Less: Treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	245,831,957.46	245,831,957.46
General risk reserve		
Undistributed profit	219,915,071.50	274,170,198.50
Total shareholders' equity	2,814,456,392.24	2,868,711,519.24
Total liabilities and shareholders' equity	3,193,952,299.69	3,240,519,724.64

Legal representative:
Xia Dechuan

*Person in charge of
accounting:*
Shen Jianlong

*Person in charge of
accounting department:*
Liu Xianfang

Income Statement
January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the Period	Amount in corresponding period last year
I. Total operating income	67,369,862.26	37,425,340.32
Including: Operating income	67,369,862.26	37,425,340.32
Interest income		
Premiums earned		
Handling charges and commission income		
II. Total operating cost	126,326,372.40	94,646,339.90
Including: Operating costs	48,173,911.60	20,473,963.55
Interest expenses		
Handling charges and commission expenditure		
Surrender value		
Net payments for insurance claims		
Net Appropriation of insurance contract reserves		
Bond insurance expense		
Amortized Reinsurance Expenditures		
Business tax and surcharges	1,126,898.84	1,679,514.60
Cost of sales	2,352,781.42	2,088,818.54
Administrative expenses	75,790,578.57	66,828,642.58
Financial expenses	-1,175,427.99	906,273.96
Impairment losses of assets	57,629.96	2,669,126.67
Plus: Gains from changes in fair value (losses are indicated by “-”)		
Investment gain (losses are indicated by “-”)	69,350,256.45	107,544,864.98
Including: Investment income in associates and joint ventures	62,517,986.07	97,172,461.75
Exchange revenue (losses are indicated by “-”)		

Income Statement *(continued)*
January – June 2016

Item	In the Period	Amount in corresponding period last year
III. Operating profit (losses are indicated by “-”)	10,393,746.31	50,323,865.40
Plus: Non-operating income	41,097.22	355,834.39
Including: Gains on disposal of non-current assets	1,045.05	353,669.58
Less: Non-operating expense	2,548,950.56	82,024.72
Including: Losses from disposal of non-current assets	53,712.46	82,018.02
IV. Total profit (total losses are indicated by “-”)	7,885,892.97	50,597,675.07
Less: Income tax expenses		
V. Net profit (losses are indicated by “-”)	7,885,892.97	50,597,675.07
VI. Other comprehensive after-tax net income		
(I) Other comprehensive income that can not be reclassified into the profit or loss subsequently		
1. Changes in net liabilities or net assets resulting from re-measurement of defined benefit pension plan		
2. Shares of the investee that can not be reclassified into other comprehensive income under equity method		

Income Statement *(continued)*
January – June 2016

Item	In the Period	Amount in corresponding period last year
(II) Other comprehensive income to be reclassified into the profit or loss subsequently		
1. Shares of the investee to be re-classified into other comprehensive income subsequently under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from held-to-maturity investments re-classified as AFS financial		
4. Gains and losses on the effective portion of cash flow hedge		
5. Converted difference in foreign currency financial statements		
6. Others		
Total other comprehensive after-tax net income attributable to the minority		
VII. Total comprehensive income	7,885,892.97	50,597,675.07
VIII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal representative:
Xia Dechuan

*Person in charge of
accounting:*
Shen Jianlong

*Person in charge of
accounting department:*
Liu Xianfang

Statement of Changes in Shareholders' Equity

January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the Period							Undistributed profit	Total of shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		
I. Balance at the end of last year	913,838,529.00	1,434,870,834.28				245,831,957.46		274,170,198.50	2,868,711,519.24
Plus: alteration to accounting policies									
Correction to previous errors									
Others									
II. Balance at the beginning of the year	913,838,529.00	1,434,870,834.28				245,831,957.46		274,170,198.50	2,868,711,519.24
III. Changes for the period (decrease is indicated by "-")								-54,255,127.00	-54,255,127.00
(I) Total comprehensive income								7,885,892.97	7,885,892.97
(II) Shareholders' contributions and capital reduction									
1. Shareholders' capital contributions									
2. Capital contributed by owners of other equity instruments									
3. Share based payments credited to shareholders' equity									
4. Others									
(III) Profit distribution								-62,141,019.97	-62,141,019.97
1. Appropriation of surplus reserve									
2. Appropriation of general risk reserve									
3. Distribution to shareholders								-62,141,019.97	-62,141,019.97
4. Others									
(V) Internal carry-forward of shareholders' equity									
1. Conversion of capital reserve into share capital									
2. Conversion of surplus reserve into share capital									
3. Compensation of loss with surplus reserves									
4. Changes in net liabilities or net assets resulting from carry-forward of re-measurement of defined benefit pension plan									
5. Others									
(V) Appropriation and utilisation of special reserve									
1. Appropriation for the period									
2. Amount utilised in the period									
(VI) Others									
IV. Closing balance at the end of the year	913,838,529.00	1,434,870,834.28				245,831,957.46		219,915,071.50	2,814,456,392.24

Statement of Changes in Shareholders' Equity (continued)

January – June 2016

Item	Amount in corresponding period last year							Undistributed profit	Total of shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		
I. Balance at the end of last year	913,838,529.00	1,434,870,834.28				234,802,138.28		235,215,168.78	2,818,726,670.34
Plus: alternation to accounting policies									
Correction to previous errors									
Others									
II. Balance at the beginning of the year	913,838,529.00	1,434,870,834.28				234,802,138.28		235,215,168.78	2,818,726,670.34
III. Changes for the period (decrease is indicated by "-")								-9,715,667.85	-9,715,667.85
(I) Total comprehensive income								50,597,675.07	50,597,675.07
(II) Shareholders' contributions and capital reduction									
1. Shareholders' capital contributions									
2. Capital contributed by owners of other equity instruments									
3. Share based payments credited to shareholders' equity									
4. Others									
(III) Profit distribution								-60,313,342.92	-60,313,342.92
1. Appropriation of surplus reserve									
2. Appropriation of general risk reserve									
3. Distribution to shareholders								-60,313,342.92	-60,313,342.92
4. Others									
(V) Internal carry-forward of shareholders' equity									
1. Conversion of capital reserve into share capital									
2. Conversion of surplus reserve into share capital									
3. Compensation of loss with surplus reserves									
4. Changes in net liabilities or net assets resulting from carry-forward of re-measurement of defined benefit pension plan									
5. Others									
(V) Appropriation and utilisation of special reserve									
1. Appropriation for the period									
2. Amount utilised in the period									
(VI) Others									
IV. Closing balance at the end of the year	913,838,529.00	1,434,870,834.28				234,802,138.28		225,499,500.93	2,809,011,002.49

Legal representative:
Xia Dechuan

Person in charge of accounting:
Shen Jianlong

Person in charge of accounting department:
Liu Xianfang

Cash Flow Statement

January – June 2016

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB

Item	In the period	Amount in corresponding period last year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	83,176,167.30	24,715,414.42
Customer deposit and net increase in deposit from other banks		
Net increase in borrowings from central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits and investment from policyholders		
Net increase in disposal of financial assets held for trading		
Cash received from interests, handling charges and commission expenditure		
Net increase in placements from banks and other financial institutions		
Net increase in repurchase business funds		
Received tax refunds		
Other cash received related to operating activities	82,398,649.86	44,486,046.72
Sub-total of cash inflows from operating activities	165,574,817.16	69,201,461.14
Cash paid for sales of goods or rendering of services	36,306,369.64	20,813,606.97
Net increase in customer loan and advance in cash		
Net increase in deposit in the central bank and other banks		
Cash paid for indemnity of original insurance contract		
Cash paid for interests, handling charges and commission expenditure		
Cash paid for policy dividend		
Cash paid to and for employees	24,985,443.71	34,140,700.40
Cash paid for various taxes	2,058,894.96	3,810,172.59
Other payments related to operating activities	146,524,264.46	196,545,599.02
Sub-total of cash outflows from operating activities	209,874,972.77	255,310,078.98
Net cash flow from operating activities	-44,300,155.61	-186,108,617.84

Cash Flow Statement (*continued*)
January – June 2016

Item	In the period	Amount in corresponding period last year
II. Cash flow from investing activities:		
Cash from realization of investment		
Cash received from returns on investments	6,832,270.38	10,372,403.23
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		
Net cash received from the disposal of subsidiaries and other operating entities		
Other cash received related to investment activities	725,000,000.00	1,094,000,000.00
Sub-total of cash inflows from investing activities	731,832,270.38	1,104,372,403.23
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	42,145.30	6,599,173.39
Cash paid for investment		26,000,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash received related to investment activities	682,000,000.00	1,015,000,000.00
Sub-total of cash outflows from investing activities	682,042,145.30	1,047,599,173.39
Net cash flow from investing activities	49,790,125.08	56,773,229.84

Cash Flow Statement *(continued)*
January – June 2016

Item	In the period	Amount in corresponding period last year
III. Cash flows from financing activities:		
Cash received from capital contribution		
Including: Cash received by absorbing investments of minority by subsidiaries		
Cash received from borrowings	20,000,000.00	120,000,000.00
Cash received from issuing bonds		
Other cash received related to financing activities		
Sub-total of cash inflows from financing activities	20,000,000.00	120,000,000.00
Cash paid for repayments of borrowings	20,000,000.00	40,000,000.00
Cash payment for interest expenses and distribution of dividends or profits	77,333.33	2,113,000.00
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash payments related to financing activities		
Sub-total of cash outflows from financing activities	20,077,333.33	42,113,000.00
Net cash flow from financing activities	-77,333.33	77,887,000.00
IV. Effect of exchange rate changes on cash and cash equivalents	-32.45	27.95
V. Net increase in cash and cash equivalents	5,412,603.69	-51,448,360.05
Plus: Opening balance of cash and cash equivalents	87,859,882.87	80,208,790.62
VI. Closing balance of cash and cash equivalents	93,272,486.56	28,760,430.57
 <i>Legal representative:</i> Xia Dechuan	 <i>Person in charge of accounting:</i> Shen Jianlong	 <i>Person in charge of accounting department:</i> Liu Xianfang

VI. DOCUMENTS AVAILABLE FOR INSPECTION

1. the financial report for the Reporting Period signed and sealed by the person in charge of the Company, the person in charge of accounting work and the person in charge of the Accounting Department of the Company;
2. all the announcements which have been disclosed in “Shanghai Securities News”, “China Securities Journal” and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange during the Reporting Period;
3. the 2016 interim report published in Hong Kong and Shanghai securities market.

By Order of the Board
Nanjing Panda Electronics Company Limited
Xu Guofei
Chairman

Nanjing, the People’s Republic of China
30 August 2016

As at the date of this announcement, the Board comprises Executive Directors: Mr. Xu Guofei, Mr. Chen Kuanyi and Mr. Xia Dechuan; Non-executive Directors: Mr. Lu Qing, Mr. Deng Weiming and Mr. Gao Gan; and Independent Non-executive Directors: Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun.

* For identification purpose only