

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



南京熊猫電子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 0553)

2012 THIRD QUARTERLY REPORT

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1 IMPORTANT NOTICE

- 1.1 The board of directors (the “Board”), the supervisory committee, and the directors, supervisors, and senior management of Nanjing Panda Electronics Company Limited (the “Company”) confirm that the information in this 2012 Third Quarterly Report does not contain any misrepresentation, misleading statement, or material omission, and severally and jointly accept responsibility for the truthfulness, accuracy, and completeness of the contents herein.
- 1.2 The Company’s financial statements for the third quarter of 2012 were unaudited.
- 1.3 All directors attended the Board meeting held on 30 October 2012.
- 1.4 Mr. Xia Dechuan, the responsible person of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Liu Xianfang, the Manager of Finance Department, have declared the truthfulness and completeness of the financial statements contained in the 2012 Third Quarterly Report.

2 CORPORATE INFORMATION

2.1 Major accounting data and financial indicators (Prepared in accordance with the PRC Accounting Standards for Business Enterprises, unaudited)

Unit: RMB (Yuan)

	As at the end of the reporting period (30 September 2012)	As at the end of the previous year (31 December 2011)	Changes from the end of the previous year (%)
Total assets	3,206,582,373.55	2,713,131,157.98	18.19
Owners' equity (or shareholder's equity)	1,620,895,107.82	1,587,039,946.99	2.13
Net assets per share attributable to shareholders of the Company	2.47	2.42	2.13
	From the beginning of the year to the end of the reporting period (January- September 2012)	Change as compared to the corresponding period of the previous year (%)	
Net cash flow from operating activities	-72,750,405.58	N/A	
Net cash flow per share from operating activities	-0.11	N/A	

	For the reporting period (July- September 2012)	From the beginning of the year to the end of the reporting period (January- September 2012)	Changes from the corresponding period of the previous year (%)
Net profit attributable to shareholders of the Company	14,435,472.44	66,605,910.83	-55.35
Basic earnings per share	0.0220	0.1017	-55.35
Basic earnings per share after extraordinary items	0.0162	0.0878	-67.47
Diluted earnings per share	0.0220	0.1017	-55.35
Return on net assets (weighted average) (%)	0.89	4.15	Decreased by 1.22 percentage points
Return on net assets after extraordinary items (weighted average) (%)	0.66	3.59	Decreased by 1.47 percentage point

**From the beginning
of the year to the
end of the reporting
period (January-
September 2012)**

Items of extraordinary profit and loss

Profit and loss from disposal of non-current assets	408,974.57
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to gains and losses for the period	9,302,820.00
Non-operating net income and expenses other than the aforesaid items	1,572,776.98
Impact on enterprise income tax	-1,844,735.79
Net extraordinary profit and loss attributable to minority shareholders	<u>-337,157.51</u>
Total	<u><u>9,102,678.25</u></u>

2.2 Total number of shareholders and shareholdings of the top ten shareholders of tradable shares not subject to trading moratorium at the end of the reporting period

Unit: Shares

Total number of shareholders as at the end of the reporting period was 19,261, including 19,207 holders of A Shares and 54 holders of H Shares.

Shareholdings of the top ten shareholders of tradable shares not subject to trading moratorium

Name of shareholders (Full name)	Number of tradable shares not subject to trading moratorium as at the end of the reporting period	Type of shares (A, B, H shares or others)
Panda Electronics Group Limited (“PEGL”)	334,715,000	A
HKSCC (Nominees) Limited	240,691,599	H
Huang Jitang (黃紀棠)	2,170,081	A
Peng Hongwan (彭洪萬)	1,161,026	A
Zheng Xinhua (鄭新華)	640,000	A
Zhang Likun (張利昆)	479,859	A
Yang Chunyan (楊春燕)	466,854	A
Chen Xiaodong (陳曉東)	426,000	A
Rong Tao (榮韜)	397,600	A
Wen Xiaoxia (溫曉霞)	365,345	A

3 SIGNIFICANT EVENTS

3.1 Significant changes in items in the principal financial statements and financial indicators of the Company and the reasons therefor

☒ Applicable ☐ Not applicable

3.1.1 Major changes in items of balance sheet:

Unit: RMB (Yuan)

Items	30 September 2012	31 December 2011	Changes (%)
Cash and bank balance	651,752,483.21	446,888,631.46	45.84
Bills receivable	28,609,285.29	15,720,441.55	81.99
Prepayments	218,440,846.57	91,165,039.41	139.61
Inventories	350,596,620.41	249,992,893.28	40.24
Construction in progress	49,339,294.52	306,362.89	16,004.85
Deferred income			
tax assets	8,453,360.52	5,991,302.88	41.09
Short-term loans	490,000,000.00	358,307,585.20	36.75
Bills payable	195,815,288.21	69,060,351.93	183.54
Accounts payable	646,931,784.53	466,874,177.25	38.57
Taxes Payable	2,302,051.34	-12,370,970.32	N/A
Interest payable	521,752.78	969,055.41	-46.16
Dividend Payable	1,364,696.99	143,289.96	852.40
Non-current liabilities			
due within one year	0	4,000,000.00	-100.00

Explanation of the changes:

- (1) The increase in cash and bank balance was mainly due to the dividends received from certain joint ventures during the period.
- (2) The increase in bills receivable was due to the increase in sales activity settled by bills.

- (3) The increase in prepayments was mainly due to the increase in advance payments for purchase of raw materials.
- (4) The increase in inventories was mainly due to the increase in orders which required more goods in stock.
- (5) The increase in construction in progress was mainly due to additional investment in construction of Xin Gang Park and Equipment Industrial Park.
- (6) The increase in deferred income tax assets was mainly due to the increase in deductible temporary differences during the period.
- (7) The increase in short-term loans was mainly due to the increased need for working capital in line with the enlarged operations in the period.
- (8) The increase in bills payable was mainly due to the increase in purchase activities settled by bills.
- (9) The increase in accounts payable was mainly due to the increase in purchase of raw materials during the period.
- (10) The increase in taxes payable was mainly due to the export tax rebates received by the Company.
- (11) The decrease in interest payable was due to the decrease in accrued interests.
- (12) The increase in dividend payable was due to the due payment of dividend to minority shareholders by certain controlled subsidiaries.
- (13) The decrease in non-current liabilities due within one year was mainly attributable to due payments of such liabilities.

3.1.2 Major changes in items of income statement:

Items	January- September 2012	January- September 2011	Changes (%)
Operating cost	1,499,680,148.14	1,141,355,775.11	31.39
Loss in assets impairment	29,016,236.00	3,834,077.72	656.80
Investment income	149,129,527.58	101,696,597.49	46.64
Non-operating income	12,110,001.23	8,017,950.02	51.04
Non-operating expenses	578,096.47	1,032,850.82	-44.03
Income tax expense	4,952,150.25	12,408,963.81	-60.09

Explanation of the changes:

- (1) The increase in operating cost was mainly due to the significant increase in sales of principal products during the period.
- (2) The increase in loss in assets impairment was mainly due to the increase in provisions for bad debts during the period.
- (3) The increase in investment income was mainly due to the full recognition of equity interest in Hua Fei Color Display Systems Company Limited (華飛彩色顯示系統有限公司) by the Company as investment loss in 2011.
- (4) The increase in non-operating income was mainly due to the increase in recognized government grants during the period.
- (5) The decrease in non-operating expenses was mainly due to the disposal of fixed assets.
- (6) The decrease in income tax expense was mainly due to the recognition of certain subsidiaries as hi-tech enterprises.

3.1.3 Major changes in items of cash flow statement

Items	January- September 2012	January- September 2011	Changes (%)
Net cash flows from operating activities	-72,750,405.58	-130,105,412.88	N/A
Net cash flows from investment activities	141,930,170.76	270,340,601.33	-47.50
Net cash flows from financing activities	73,879,456.97	-74,932,911.49	N/A

Explanation of the changes:

- (1) The increase in net cash flows from operating activities was mainly due to the increase in collection of trade receivables.
- (2) The decrease in net cash flows from investment activities was mainly due to the completion of incorporation of Nanjing Panda Electronics Technology Development Co., Ltd. (南京熊猫电子科技发展有限公司) which was included into the scope of consolidation during the same period last year.
- (3) The increase in net cash flows from financing activities was mainly due to the increase in the proceeds from financing activities during the period.

3.2 Note and analysis of significant events and their impact and solutions

☐ Applicable ☒ Not applicable

3.3 Performance of undertakings of the Company, shareholders and de facto controllers of the Company

China Electronics Corporation undertook in the report of acquisition of the Company to guarantee the independence of the Company, not to compete with the Company in business, and to standardize and minimize connected transactions. For details, please refer to the Report of Acquisition of Nanjing Panda Electronics Company Limited published by the Company on the website of the Shanghai Stock Exchange on 12 June 2012 and on the websites of the Hong Kong Stock Exchange and the Company on 11 June 2012. The aforesaid undertakings are being honoured and no matters are found to be in violation of the relevant undertakings.

3.4 Warnings on any potential loss in accumulated net profit for the period from the year beginning to the end of next reporting period or any material changes from the corresponding period of last year and the reasons thereof

☐ Applicable ☒ Not applicable

3.5 Execution of cash dividend policy during the reporting period

In order to further improve and perfect the dividend distribution decision-making and supervision mechanism of the Company, ensuring the continuity and stability of profit distribution policies, actively reward its investors, and steer investors towards long-term and reasonable investment, pursuant to the requirements of the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies” by the China Securities Regulatory Commission (Zheng Jian Fa [2012] No.37), the Board proposes to amend relevant articles on profit distribution in the Articles of Association of the Company (the “Articles of Association”) and to adopt shareholders’ return plan (the “Shareholders’ Return Plan”) pursuant to which the Board shall formulate cash dividend distribution policies that are in compliance with the Articles of Association and the resolutions of the general meeting. The definite and clear distribution standards and qualifications, all-round decision-making process and mechanism and the due diligence of independent directors will provide minority shareholders with opportunities to fully express opinions and appeals, thus fully safeguarding minority shareholders’ legitimate rights and interests. The Company will convene a general meeting on 11 December 2012 to consider the amendments to the Articles of Association and the Shareholders’ Return Plan.

(For details, please refer to the relevant announcements and notice published in China Securities Journal and Shanghai Securities News and on the website of the Shanghai Stock Exchange on 25 August 2012 and 27 October 2012, and on the websites of the Hong Kong Stock Exchange and the Company on 24 August 2012 and 26 October 2012.)

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

(For details, please refer to the relevant announcements published on the website of the Shanghai Stock Exchange on 19 May 2012 and 13 June 2012, and on the websites of the Hong Kong Stock Exchange and the Company on 18 May 2012 and 12 June 2012.)

4 APPENDIX

2012 third quarterly financial statements (unaudited) (prepared in accordance with the PRC Accounting Standards for Business Enterprises).

5 PUBLICATION OF QUARTERLY REPORT

The 2012 third quarterly reports prepared according to the PRC Accounting Standards for Business Enterprises will be published on the websites of the Shanghai Stock Exchange (www.sse.com.cn), The Stock Exchange of Hong Kong limited (www.hkex.com.hk) and the Company (www.panda.cn).

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

Nanjing, the People's Republic of China
30 October 2012

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

APPENDIX FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

CONSOLIDATED BALANCE SHEET

30 September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	651,752,483.21	446,888,631.46
Settlement provisions	—	—
Placements with banks and other financial institutions	—	—
Trading financial assets	—	—
Bills receivable	28,609,285.29	15,720,441.55
Trade receivables	619,593,266.90	548,925,350.05
Prepayments	218,440,846.57	91,165,039.41
Premiums receivable	—	—
Reinsurance receivables	—	—
Reinsurance contract reserve receivables	—	—
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	27,229,645.17	23,267,110.10
Financial assets purchased for resale	—	—
Inventories	350,596,620.41	249,992,893.28
Non-current assets due within one year	—	—
Other current assets	—	—
Total current assets	<u>1,896,222,147.55</u>	<u>1,375,959,465.85</u>

Non-current assets:

Entrusted loans and advances	—	—
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	637,397,083.43	687,442,710.67
Investment properties	—	—
Fixed assets	590,574,735.28	618,853,365.45
Construction in progress	49,339,294.52	306,362.89
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Fuel assets	—	—
Intangible assets	24,595,752.25	24,577,950.24
Development expenses	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	8,453,360.52	5,991,302.88
Other non-current assets	—	—

Total non-current assets	<u>1,310,360,226.00</u>	<u>1,337,171,692.13</u>
---------------------------------	--------------------------------	--------------------------------

Total assets	<u>3,206,582,373.55</u>	<u>2,713,131,157.98</u>
---------------------	--------------------------------	--------------------------------

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

Liabilities and shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short-term loans	490,000,000.00	358,307,585.20
Borrowing from the People's Bank of China ("PBOC")	—	—
Customer and interbank deposits	—	—
Borrowing from interbank market	—	—
Trading financial liabilities	—	—
Bills payable	195,815,288.21	69,060,351.93
Trade payables	646,931,784.53	466,874,177.25
Advances from customers	67,427,976.47	73,687,666.89
Financial assets sold under repurchase agreements	—	—
Handling charges and commission payable	—	—
Salaries payable	33,236,486.04	44,677,781.13
Taxes payable	2,302,051.34	-12,370,970.32
Interest payable	521,752.78	969,055.41
Dividends payable	1,364,696.99	143,289.96
Other payables	140,864,016.01	111,950,392.10
Payables on reinsurance	—	—
Insurance contract reserve	—	—
Customer deposits for trading in securities	—	—
Customer deposits for securities underwriting	—	—
Non-current liabilities due within one year	—	4,000,000.00
Other current liabilities	—	—
Total current liabilities	<u>1,578,464,052.37</u>	<u>1,117,299,329.55</u>

Non-current liabilities:

Long-term loans	—	—
Bonds payable	—	—
Long-term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	350,980.01	390,239.64
Other non-current liabilities	—	—

Total non-current liabilities	350,980.01	390,239.64
--------------------------------------	-------------------	-------------------

Total liabilities	1,578,815,032.38	1,117,689,569.19
--------------------------	-------------------------	-------------------------

Shareholders' equity:

Share capital	655,015,000.00	655,015,000.00
Capital reserve	467,473,413.43	467,473,413.43
Less: treasury shares	—	—
Special reserve	—	—
Surplus reserve	208,218,564.46	208,218,564.46
General risk reserve	—	—
Undistributed profits	290,188,129.93	256,332,969.10
Difference arising from translation of foreign currency financial statements	—	—
Sub-total of equity attributable to the shareholders of the Company	1,620,895,107.82	1,587,039,946.99
Minority interests	6,872,233.35	8,401,641.80

Total shareholders' equity	1,627,767,341.17	1,595,441,588.79
-----------------------------------	-------------------------	-------------------------

Total liabilities and shareholders' equity	3,206,582,373.55	2,713,131,157.98
---	-------------------------	-------------------------

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

CONSOLIDATED INCOME STATEMENT

July - September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Total operating income	624,225,763.49	512,397,032.67
Including: Operating income	624,225,763.49	512,397,032.67
Interest income	—	—
Premiums earned	—	—
Income from handling charges and commissions	—	—
II. Total operating cost	660,820,241.26	537,751,677.18
Including: Operating cost	562,230,007.46	448,089,676.34
Interest expenses	—	—
Handling charges and commissions	—	—
Surrender payment	—	—
Net expenditure for compensation payments	—	—
Net provision for insurance contract	—	—
Insurance policy dividend paid	—	—
Reinsurance cost	—	—
Business taxes and surcharges	2,900,195.12	3,399,324.27
Selling expenses	9,393,301.26	9,921,382.27
Administrative expenses	51,850,862.99	63,161,963.39
Financial expenses	8,628,261.08	5,846,699.23
Loss on assets impairment	25,817,613.35	7,332,631.68
Add: Gain from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	47,743,613.48	60,909,286.73
Including: Income from investment in associates and joint ventures	47,743,613.48	60,909,286.73
Exchange gain (losses are represented by “-”)	—	—

III. Operating profit (losses are represented by “-”)	11,149,135.71	35,554,642.22
Add: Non-operating income	4,865,808.62	1,336,147.00
Less: Non-operating expenses	241,547.01	514,615.45
Including: Loss from the disposal of non-current assets	—	—
IV. Total profit (losses are represented by “-”)	15,773,397.32	36,376,173.77
Less: Income tax expense	395,648.57	2,156,826.32
V. Net Profit (losses are represented by “-”)	15,377,748.75	34,219,347.45
Profit attributable to the equity holders of the Company	14,435,472.44	32,331,055.70
Minority interests	942,276.31	1,888,291.75
VI. Earnings per share:		
(1) Basic earnings per share	0.0220	0.0494
(2) Diluted earnings per share	0.0220	0.0494
VII. Other comprehensive income:	—	—
VIII. Total comprehensive income:	15,377,748.75	34,219,347.45
Total comprehensive income attributable to the equity holders of the Company	14,435,472.44	32,331,055.70
Total comprehensive income attributable to minority shareholders	942,276.31	1,888,291.75
<i>Legal Representative of the Company:</i> Xia Dechuan	<i>Person in charge of accounting work:</i> Shen Jianlong	<i>Person in charge of the Accounting Department:</i> Liu Xianfang

CONSOLIDATED INCOME STATEMENT

January - September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Total operating income	1,680,316,855.32	1,355,604,227.42
Including: Operating income	1,680,316,855.32	1,355,604,227.42
Interest income	—	—
Premiums earned	—	—
Income from handling charges and commissions	—	—
II. Total operating cost	1,765,880,990.51	1,379,682,718.49
Including: Operating cost	1,499,680,148.14	1,141,355,775.11
Interest expenses	—	—
Handling charges and commissions	—	—
Surrender payment	—	—
Net expenditure for compensation payments	—	—
Net provision for insurance contract	—	—
Insurance policy dividend paid	—	—
Reinsurance cost	—	—
Business taxes and surcharges	10,964,860.83	11,245,832.96
Selling expenses	24,944,494.79	27,927,796.73
Administrative expenses	179,835,752.75	178,267,298.54
Financial expenses	21,439,498.00	17,051,937.43
Loss on assets impairment	29,016,236.00	3,834,077.72
Add: Gain from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	149,129,527.58	101,696,597.49
Including: Income from investment in associates and joint ventures	149,129,527.58	101,696,597.49
Exchange gain (losses are represented by “-”)	—	—

III. Operating profit (losses are represented by “-”)	63,565,392.39	77,618,106.42
Add: Non-operating income	12,110,001.23	8,017,950.02
Less: Non-operating expenses	578,096.47	1,032,850.82
Including: Loss from the disposal of non-current assets	—	—
IV. Total profit (losses are represented by “-”)	75,097,297.15	84,603,205.62
Less: Income tax expense	4,952,150.25	12,408,963.81
V. Net Profit (losses are represented by “-”)	70,145,146.90	72,194,241.81
Profit attributable to the equity holders of the Company	66,605,910.83	67,170,057.48
Minority interests	3,539,236.07	5,024,184.33
VI. Earnings per share:		
(1) Basic earnings per share	0.1017	0.1025
(2) Diluted earnings per share	0.1017	0.1025
VII. Other comprehensive income:	—	—
VIII. Total comprehensive income:	70,145,146.90	72,194,241.81
Total comprehensive income attributable to the equity holders of the Company	66,605,910.83	67,170,057.48
Total comprehensive income attributable to minority shareholders	3,539,236.07	5,024,184.33

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

CONSOLIDATED CASH FLOW STATEMENT

January-September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Cash flows from operating activities		
Cash received from the sale of goods and rendering of services	1,680,476,810.45	1,352,137,300.60
Net increase in customer and interbank deposits	—	—
Net increase in borrowing from PBOC	—	—
Net cash increase in borrowings from other financial institutions	—	—
Cash received from premiums under original insurance contract	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits of policy holders and investment	—	—
Net increase in disposal of trading financial assets	—	—
Cash received from interest, handling charges and commissions	—	—
Net increase in interbank borrowing	—	—
Net increase in cash received from repurchase operation	—	—
Refunds of taxes	23,217,108.72	1,047,474.24
Cash received relating to other operating activities	52,045,706.65	29,921,011.54
Sub-total of cash inflows from operating activities	1,755,739,625.82	1,383,105,786.38

Cash paid for purchase of goods and services received	1,333,946,567.08	1,083,941,171.67
Net increase in loans and advances	—	—
Net increase in deposits with PBOC and interbank	—	—
Cash paid for compensation payments under original insurance contract	—	—
Cash paid for interest, handling charges and commissions	—	—
Cash paid for insurance policy dividend	—	—
Cash paid to and on behalf of employees	225,383,439.83	208,263,420.88
Cash paid for all types of taxes	69,478,682.51	93,996,138.79
Cash paid relating to other operating activities	<u>199,681,341.98</u>	<u>127,010,467.92</u>
Sub-total of cash outflows from operating activities	<u>1,828,490,031.40</u>	<u>1,513,211,199.26</u>
Net cash flows from operating activities	<u><u>-72,750,405.58</u></u>	<u><u>-130,105,412.88</u></u>

II. Cash flows from investing activities:

Cash received from disposal of investments	—	—
Cash received from return on investments	199,175,154.82	134,882,672.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	239,505.44	1,349,800.00
Net cash received from disposal of subsidiaries and other operating entities	—	—
Cash received relating to other investment activities	—	175,000,000.00

**Sub-total of cash inflows from
investing activities**

199,414,660.26 311,232,472.76

Cash paid for purchase of fixed assets, intangible assets and other long-term assets	57,484,489.50	37,241,871.43
Cash paid for investments	—	3,650,000.00
Net increase in secured loans	—	—
Net cash paid for acquisition of subsidiaries and other operating entities	—	—
Cash paid on other investment activities	—	—

**Sub-total of cash outflows from
investing activities**

57,484,489.50 40,891,871.43

Net cash flows from investing activities

141,930,170.76 270,340,601.33

III. Cash flows from financing activities:

Cash received from investments	—	—
Including: cash received by subsidiaries		
from minority shareholders’		
investment	—	—
Cash received from borrowings	463,920,636.70	326,282,165.90
Cash received from issuing bonds	—	—
Cash received from other financing activities	—	—

**Sub-total of cash inflows from
financing activities**
463,920,636.70 326,282,165.90

Cash paid on repayment of borrowings **332,228,221.90** 377,304,286.10

Cash paid on distribution of dividends or
profits, or interest expenses **57,812,957.83** 22,597,309.69

Including: dividend and profit paid to
 minority shareholders
 by subsidiaries **3,847,237.49** 4,693,577.21

Cash paid on other financing activities — 1,313,481.60

**Sub-total of cash outflows from
financing activities**
390,041,179.73 401,215,077.39

Net cash flows from financing activities **73,879,456.97** **-74,932,911.49**
**IV. Effect of fluctuations in exchange rates
on cash and cash equivalents**
89,803.47 -300,459.56

V. Net increase in cash and cash equivalents **143,149,025.62** 65,001,817.40

Add: balance of cash and cash equivalents
at the beginning of the period **343,783,370.28** 392,369,699.37

**VI. Balance of cash and cash equivalents
at the end of the period**
486,932,395.90 457,371,516.77

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

BALANCE SHEET

30 September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	184,696,240.07	89,554,907.28
Settlement provisions	—	—
Placements with banks and other financial institutions	—	—
Trading financial assets	—	—
Bills receivable	—	2,705,695.37
Trade receivables	214,709,384.20	62,071,745.67
Prepayments	22,150,004.81	10,442,132.04
Premiums receivable	—	—
Reinsurance receivables	—	—
Reinsurance contract reserve receivables	—	—
Interest receivable	—	—
Dividends receivable	5,923,299.05	3,460,963.25
Other receivables	219,383,239.22	149,969,007.09
Financial assets purchased for resale	—	—
Inventories	28,327,286.37	8,362,496.01
Non-current assets due within one year	—	—
Other current assets	—	—
Total current assets	675,189,453.72	326,566,946.71

Non-current assets:

Entrusted loans and advances	—	—
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	1,281,495,338.16	1,166,364,445.40
Investment properties	—	—
Fixed assets	386,718,143.83	400,611,454.76
Construction in progress	32,813,881.41	—
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Fuel assets	—	—
Intangible assets	23,633,079.26	24,461,068.82
Development expenses	—	—
Goodwill	—	—
Long-term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	—	—
	<hr/>	<hr/>
Total non-current assets	<u>1,724,660,442.66</u>	<u>1,591,436,968.98</u>
Total assets	<u>2,399,849,896.38</u>	<u>1,918,003,915.69</u>

Current liabilities:

Short-term loans	390,000,000.00	240,000,000.00
Borrowing from PBOC	—	—
Customer and interbank deposits	—	—
Borrowing from interbank market	—	—
Trading financial liabilities	—	—
Bills payable	175,346,871.27	11,118,761.39
Trade payables	73,380,589.90	32,635,735.91
Advances from customers	—	6,462,138.00
Financial assets sold under repurchase agreements	—	—
Handling charges and commission payable	—	—
Salaries payable	18,299,736.73	22,562,412.96
Taxes payable	3,339,522.47	4,361,014.76
Interest payable	521,752.78	521,752.78
Dividends payable	—	—
Other payables	267,336,890.16	168,524,052.57
Payables on reinsurance	—	—
Insurance contract reserve	—	—
Customer deposits for trading in securities	—	—
Customer deposits for securities underwriting	—	—
Non-current liabilities due within one year	—	4,000,000.00
Other current liabilities	—	—

Total current liabilities	928,225,363.31	490,185,868.37
----------------------------------	-----------------------	-----------------------

Non-current liabilities:

Long-term loans	—	—
Bonds payable	—	—
Long-term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—

Total non-current liabilities	—	—
--------------------------------------	----------	----------

Total liabilities	928,225,363.31	490,185,868.37
--------------------------	-----------------------	-----------------------

Shareholders' equity:

Share capital	655,015,000.00	655,015,000.00
Capital reserve	436,256,485.59	436,256,485.59
Less: treasury shares	—	—
Special reserve	—	—
Surplus reserve	208,218,564.46	208,218,564.46
General risk reserve	—	—
Undistributed profits	172,134,483.02	128,327,997.27
Difference arising from translation of foreign currency financial statements	—	—

Total shareholders' equity	<u>1,471,624,533.07</u>	<u>1,427,818,047.32</u>
-----------------------------------	--------------------------------	--------------------------------

Total liabilities and shareholders' equity	<u>2,399,849,896.38</u>	<u>1,918,003,915.69</u>
---	--------------------------------	--------------------------------

*Legal Representative of
the Company:*

Xia Dechuan

*Person in charge of
accounting work:*

Shen Jianlong

*Person in charge of the
Accounting Department:*

Liu Xianfang

INCOME STATEMENT

July-September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Total operating income	150,139,557.49	16,950,700.93
Including: Operating income	150,139,557.49	16,950,700.93
Interest income	—	—
Premiums earned	—	—
Income from handling charges and commissions	—	—
II. Total operating cost	163,562,159.61	56,433,659.33
Including: Operating cost	138,580,470.34	11,934,125.63
Interest expenses	—	—
Handling charges and commissions	—	—
Surrender payment	—	—
Net expenditure for compensation payments	—	—
Net provision for insurance contract	—	—
Insurance policy dividend paid	—	—
Reinsurance cost	—	—
Business taxes and surcharges	249,258.05	188,966.60
Selling expenses	2,019,212.52	1,845,903.84
Administrative expenses	18,066,898.17	38,653,957.33
Financial expenses	4,646,320.53	4,117,409.93
Loss on assets impairment	—	-306,704.00
Add: Gain from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	55,112,199.43	66,323,206.64
Including: Income from investment in associates and joint ventures	47,743,613.48	60,909,286.73
Exchange gain (losses are represented by “-”)	—	—

III. Operating profit (losses are represented by “-”)	41,689,597.31	26,840,248.24
Add: Non-operating income	34,514.85	833,229.69
Less: Non-operating expenses	100,314.32	—
Including: Loss from the disposal of non-current assets	—	—
IV. Total profit (losses are represented by “-”)	41,623,797.84	27,673,477.93
Less: Income tax expense	—	—
V. Net Profit (losses are represented by “-”)	41,623,797.84	27,673,477.93
VI. Other comprehensive income:	—	—
VII. Total comprehensive income:	41,623,797.84	27,673,477.93

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

INCOME STATEMENT

January-September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Total operating income	194,846,716.67	59,737,195.16
Including: Operating income	194,846,716.67	59,737,195.16
Interest income	—	—
Premiums earned	—	—
Income from handling charges and commissions	—	—
II. Total operating cost	275,298,876.99	154,474,569.97
Including: Operating cost	169,099,360.25	40,868,650.67
Interest expenses	—	—
Handling charges and commissions	—	—
Surrender payment	—	—
Net expenditure for compensation payments	—	—
Net provision for insurance contract	—	—
Insurance policy dividend paid	—	—
Reinsurance cost	—	—
Business taxes and surcharges	757,677.02	947,025.41
Selling expenses	5,742,209.91	6,165,941.04
Administrative expenses	89,586,514.91	105,524,864.90
Financial expenses	13,107,764.16	13,092,002.26
Loss on assets impairment	-2,994,649.26	-12,123,914.31
Add: Gain from change in fair value (losses are represented by “-”)	—	—
Investment income (losses are represented by “-”)	156,498,113.53	107,110,517.40
Including: Income from investment in associates and joint ventures	149,129,527.58	101,696,597.49
Exchange gain (losses are represented by “-”)	—	—

III. Operating profit (losses are represented by “-”)	76,045,953.21	12,373,142.59
Add: Non-operating income	738,933.62	2,996,818.68
Less: Non-operating expenses	227,651.08	451,815.29
Including: Loss from the disposal of non-current assets	—	—
IV. Total profit (losses are represented by “-”)	76,557,235.75	14,918,145.98
Less: Income tax expense	—	—
V. Net Profit (losses are represented by “-”)	76,557,235.75	14,918,145.98
VI. Other comprehensive income:	—	—
VII. Total comprehensive income:	76,557,235.75	14,918,145.98

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang

CASH FLOW STATEMENT

January-September 2012

Prepared by: Nanjing Panda Electronics Company Limited

Unit: RMB (Yuan)

Item	Amount for the period	Amount for the same period last year
I. Cash flows from operating activities		
Cash received from the sale of goods and rendering of services	141,328,055.30	38,322,924.58
Net increase in customer and interbank deposits	—	—
Net increase in borrowing from PBOC	—	—
Net cash increase in borrowings from other financial institutions	—	—
Cash received from premiums under original insurance contract	—	—
Net cash received from reinsurance business	—	—
Net increase in deposits of policy holders and investment	—	—
Net increase in disposal of trading financial assets	—	—
Cash received from interest, handling charges and commissions	—	—
Net increase in interbank borrowing	—	—
Net increase in cash received from repurchase operation	—	—
Refunds of taxes	—	—
Cash received relating to other operating activities	59,584,293.23	184,995,590.91
Sub-total of cash inflows from operating activities	200,912,348.53	223,318,515.49

Cash paid for purchase of goods and services received	112,080,240.64	31,228,543.21
Net increase in loans and advances	—	—
Net increase in deposits with PBOC and interbank	—	—
Cash paid for compensation payments under original insurance contract	—	—
Cash paid for interest, handling charges and commissions	—	—
Cash paid for insurance policy dividend	—	—
Cash paid to and on behalf of employees	42,803,260.43	62,424,987.35
Cash paid for all types of taxes	4,882,149.53	3,621,349.78
Cash paid relating to other operating activities	130,668,863.51	78,554,847.04
Sub-total of cash outflows from operating activities	290,434,514.11	175,829,727.38
Net cash flows from operating activities	-89,522,165.58	47,488,788.11

II. Cash flows from investing activities:

Cash received from disposal of investments	—	30,000,000.00
Cash received from return on investments	200,800,204.97	140,296,592.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	86,947.40	120,105.00
Net cash received from disposal of subsidiaries and other operating entities	—	—
Cash received relating to other investment activities	—	—
Sub-total of cash inflows from investing activities	200,887,152.37	170,416,697.67

Cash paid for purchase of fixed assets, intangible assets and other long-term assets	28,876,433.91	14,861,643.28
Cash paid for investments	163,631,394.60	33,650,000.00
Net increase in secured loans	—	—
Net cash paid for acquisition of subsidiaries and other operating entities	—	—
Cash paid on other investment activities	—	—
Sub-total of cash outflows from investing activities	192,507,828.51	48,511,643.28
Net cash flows from investing activities	8,379,323.86	121,905,054.39
III. Cash flows from financing activities:		
Cash received from investments	—	—
Including: cash received by subsidiaries from minority shareholders' investment	—	—
Cash received from borrowings	360,000,000.00	210,000,000.00
Cash received from issuing bonds	—	—
Cash received from other financing activities	—	—
Sub-total of cash inflows from financing activities	360,000,000.00	210,000,000.00
Cash paid on repayment of borrowings	210,000,000.00	323,000,000.00
Cash paid on distribution of dividends or profits, or interest expenses	50,829,878.55	15,049,218.33
Including: dividend and profit paid to minority shareholders by subsidiaries	—	—
Cash paid on other financing activities	—	—
Sub-total of cash outflows from financing activities	260,829,878.55	338,049,218.33
Net cash flows from financing activities	99,170,121.45	-128,049,218.33

IV. Effect of fluctuations in exchange rates on cash and cash equivalents	-1.88	-28,251.57
V. Net increase in cash and cash equivalents	18,027,277.85	41,316,372.60
Add: balance of cash and cash equivalents at the beginning of the period	58,995,526.58	151,591,454.98
VI. Balance of cash and cash equivalents at the end of the period	77,022,804.43	192,907,827.58

*Legal Representative of
the Company:*
Xia Dechuan

*Person in charge of
accounting work:*
Shen Jianlong

*Person in charge of the
Accounting Department:*
Liu Xianfang