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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company confirm that there are no misleading statements, misrepresentation, or material omissions contained in this announcement and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents of this announcement. The purpose of this interim results announcement is to provide the public investors with a summary of the Company's results for the six months ended 30 June 2007. Investors should carefully read the whole text of the 2007 Interim Report for details before making any significant decisions.

All Directors attended the Board Meeting held on 14 August 2007.

The financial statements of the Company for the six months ended 30 June 2007 were unaudited.

Mr. Li Anjian, the Chairman of the Company, Mr. Shen Jianlong, the Chief Accountant, and Ms. Wu Yuzhen, the manager of Finance Department, have declared that they guarantee the truthfulness and completeness of the financial statements in the 2007 Interim Report.

The board of directors (the "Board") and the directors (the "Directors") of Nanjing Panda Electronics Company Limited (the "Company") are pleased to announce the summary of the results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Reporting Period"). Investors should carefully read the whole text of the 2007 Interim report ("2007 Interim Report") for details before making any significant decisions. The financial statements of the Company for the six months ended 30 June 2007 were unaudited.

I. BASIC COMPANY INFORMATION

(I) Company Profile

1.	Legal Chinese name of the Company	:	南京熊猫電子股份有限公司		
	Legal English name of the Company	:	Nanjing Panda Electronics Company Limited		
	Abbreviation of English name of the Company	:	NPEC		
2.	Place of listing	:	H Shares	:	The Stock Exchange of Hong Kong Limited
			A Shares	:	Shanghai Stock Exchange
	Abbreviation of stock	:	H Shares	:	Nanjing Panda
			A Shares	:	Nanjing Panda
	Stock Code	:	H Shares	:	0553
			A Shares	:	600775
3.	Secretary of the Board	:	Shen Jianlong		
	Securities Representative of the Board	:	Chen Yebao		
	Correspondence Address	:	301 Zhong Shan Road East, Nanjing, the People's Republic of China (Postal Code: 210002)		
	Telephone	:	(8625)-84801144		
	Facsimile	:	(8625)-84820729		
	E-mail address	:	dms@panda.cn		

(II) Key Financial Data and Indices

1 Prepared in accordance with the PRC Accounting Standards (unaudited)

(Unit: RMB)

	30 June 2007	31 December 2006 After adjustment	31 December 2006 Before adjustment	Change between the end of this Reporting Period and beginning of the preceding year (%)
Total assets	**2,768,150,410.15**	2,785,849,177.56	2,766,941,876.32	**(0.64)**
Shareholders' equity (excluding minority interest)	**1,393,847,415.92**	1,361,514,730.97	1,347,078,479.95	**2.37**
Net asset value per share	**2.13**	2.08	2.06	**2.37**

	Jan to June 2007	Jan to June 2006 After adjustment	Jan to June 2006 Before adjustment	Change between this Reporting Period and the same period last year (%)
Operating profit	**55,628,104.61**	36,228,579.64	(30,743,437.56)	**53.55**
Total profit	**37,445,249.32**	35,536,140.61	35,266,430.34	**5.37**
Net profit	**32,332,684.95**	28,740,323.47	31,144,193.10	**12.50**
Net profit after extraordinary profit and loss	**42,925,850.14**	15,010,780.68	17,414,650.31	**185.97**
Earnings per share	**0.0494**	0.0439	0.0475	**12.5**
Return on net assets (%)	**2.32**	2.11	2.42	**9.95**
Net cash flow from operating activities	**(48,763,518.14)**	(16,800,488.52)	(16,800,488.52)	**(190.25)**
Net cash flow per share from operating activities	**(0.0744)**	(0.0256)	(0.0256)	**(190.25)**

Notes: The extraordinary items deducted during the Reporting Period amounted to RMB(10,593,165.19), including (1) gain and loss generated by disposal of long-term equity investment, fixed assets, construction in progress, intangible assets and other long-term assets being RMB1,942,950.63; (2) government subsidy of all forms being RMB526,418.49; (3) other non-operating income and expenses after provision for diminution in value of assets of the Company determined according to Accounting Systems for Business Enterprises being RMB(18,714,459.21); (4) reversal of provision for bad debts in prior years being RMB5,938,791.38; (5) the above items' effect index on income tax being RMB(203,226.64); (6) the above items' effect index on minority interests being RMB(83,639.84).

2 Prepared in accordance with Generally Accepted Accounting Principles in Hong Kong (Unaudited)

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	**January to June 2007 (Unaudited)** ***RMB'000***	January to June 2006 (Unaudited) *RMB'000*
Turnover	3	**307,282**	353,602
Cost of sales		**(258,189)**	(303,862)
Gross profit		**49,093**	49,740
Other revenue		**7,284**	7,965
Distribution costs		**(13,481)**	(12,661)
Administrative expenses		**(110,915)**	(46,282)
Loss from operations		**(68,019)**	(1,238)
Finance costs		**(30,666)**	(27,857)
Share of results of associates		**137,654**	66,972
Profit before taxation		**38,969**	37,877
Income tax credit/(expenses)	4	**14,147**	(1,659)
Profit for the period		**53,116**	36,218

Attributable to:

	Note		
Equity holders of the Company		**46,835**	32,994
Minority interests		**6,281**	3,224
		53,116	36,218
Dividends	5	**—**	—
Earnings per share *(RMB)*	6	**0.07**	0.05

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	Note	**30 June 2007 (Unaudited) *RMB'000***	31 December 2006 (Audited) *RMB'000*
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**474,857**	484,460
Construction in progress		**19,780**	10,022
Land use right		**11,112**	11,279
Interests in associates		**1,099,302**	573,139
Deferred tax assets		**15,841**	—
		1,620,892	1,078,900
Current assets			
Inventories		**336,408**	236,838
Bills receivable		**409**	31,775
Trade debtors	7	**136,576**	120,407
Other debtors, deposits and prepayments		**206,416**	614,532
Amounts due from fellow subsidiaries, associates and related companies		**32,625**	31,531
Bank balances and cash		**456,839**	652,094
Taxation		**102**	—
		1,169,375	1,687,177

Current liabilities			
Borrowings		**768,860**	873,865
Trade creditors	7	**175,040**	140,701
Other creditors, customers' deposits and accrued charges		**316,991**	242,920
Amounts due to fellow subsidiaries, associates and related companies		**16,191**	4,113
Amount due to ultimate holding company		**10,431**	48,739
Current portion of obligations under finance leases		**19,235**	16,833
Taxation		**—**	783
		1,306,748	1,327,954
Net current (liabilities) / assets		**(137,373)**	359,223
Total assets less current liabilities		**1,483,519**	1,438,123
Non-current liabilities			
Obligations under finance leases		**(10,438)**	(18,158)
Net assets		**1,473,081**	1,419,965
Equity			
Share capital		**655,015**	655,015
Share premium and reserves		**770,506**	723,671
Attributable to equity holders of the Company		**1,425,521**	1,378,686
Minority interests		**47,560**	41,279
Total equity		**1,473,081**	1,419,965

Notes:

1. Basis of preparation

The interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal accounting policies

The interim financial statements have been prepared under the historical cost convention, and in accordance with generally accepted accounting principles in Hong Kong.

These unaudited financial statements should be read in conjunction with the 2006 annual report.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2006 except as described below.

In the current period, HKICPA issued the following standards and interpretations, which is applicable to the Group's operation and effective for the Group's financial year beginning 1 January 2006. The adoption of the standards and interpretations did not result in substantial changes to the Group's accounting policies.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HK(IFRIC) — Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment	1 November 2006

At the date of this report, the following standards and interpretations which are relevant to the Group's operations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

3. Turnover

Turnover represents the invoiced value of goods sold and services provided to outside customers, net of sales taxes.

4. Income tax credit/(expenses)

Taxation credit/(expenses) comprises:-

	January to June 2007 (Unaudited) *RMB'000*	January to June 2006 (Unaudited) *RMB'000*
PRC income tax	**(1,694)**	(1,659)
Deferred taxation	**15,841**	—
Income tax credit/(expenses)	**14,147**	(1,659)

In 1995, the Company changed the place of its registration to Pukou, Nanjing, which is a High and New Technology Development Zone. On 29 August 1995, the Company was recognised by the Jiangsu Science and Technology Commission as a High and New Technology Enterprise and such status has enabled the Company to pay income tax at the rate of 15 per cent of its assessable profit with effect from 1 January, 1995.

All subsidiaries of the Company pay income tax at the rates between 15 and 33 per cent.

5. Interim dividend

The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2006: Nil).

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders for the six months ended 30 June 2007 of RMB46,835,000 (six months ended 30 June 2006: RMB32,994,000) and on 655,015,000 shares in issue throughout the period.

7. Trade debtors and creditors

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

The following is an aged analysis of trade debtors net of allowances for bad and doubtful debts at 30 June 2007:-

	30 June 2007 (Unaudited) ***RMB'000***	31 December 2006 (Audited) *RMB'000*
Within 1 year	**126,950**	111,154
1 to 2 years	**7,782**	4,408
2 to 3 years	**1,684**	2,859
Over 3 years	**160**	1,986
	136,576	120,407

The following is an aged analysis of trade creditors at 30 June 2007:-

	30 June 2007 (Unaudited) ***RMB'000***	31 December 2006 (Audited) *RMB'000*
Within 1 year	**125,942**	106,878
1 to 2 years	**22,533**	13,083
2 to 3 years	**7,386**	3,112
Over 3 years	**19,179**	17,628
	175,040	140,701

8. Differences between accounting principles generally accepted in Hong Kong and PRC accounting standards as applicable to the Group

The interim financial statements prepared under accounting principles generally accepted in Hong Kong and those prepared under PRC accounting standards have the following major differences:

Impact on the consolidated income statement

	January to June 2007 (Unaudited) ***RMB'000***	January to June 2006 (Unaudited) *RMB'000* (Restated)
Profit attributable to shareholders as per interim financial statements prepared under the accounting principles generally accepted in Hong Kong	**46,835**	32,994
Income and expenditure taken directly to reserves	**—**	(2)
Minority interest	**4,471**	1,153
Amortisation of revaluation surplus on trademarks	**—**	225
Amortisation of unrecognised intangible assets	**(100)**	(100)
Recognition of deferred tax assets	**(18,863)**	(3,066)
Others	**(10)**	(2,464)
Profit attributable to shareholders as per interim financial statements prepared under PRC accounting standards	**32,333**	28,740

Impact on the consolidated balance sheet

	30 June 2007 (Unaudited) *RMB'000*	31 December 2006 (Audited) *RMB'000* (Restated)
Net assets as per interim financial statements prepared under the accounting principles generally accepted in Hong Kong	**1,425,521**	1,378,686
Unrecognised intangible assets	**620**	720
Goodwill	**(3,046)**	(3,046)
Share of reserve of associates	**(32,098)**	(32,098)
Minority interests	**2,850**	(1,620)
Recognition of deferred tax assets	**—**	18,863
Others	**—**	10
Net assets as per interim financial statements prepared under PRC accounting standards	**1,393,847**	1,361,515

II. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

(I) Changes in Share Capital

As at 30 June 2007, there was no change in the total number of shares and shareholding structure of the Company.

(II) Information of shareholders

1. As at 30 June 2007, the total number of shareholders of the Company was 25,112, among which 25,080 were holders of A Shares and 32 were holders of H Shares.

2. Shareholdings of the top ten shareholders

As at 30 June 2007, the top ten shareholders of the Company and their respective shareholdings are as follows:

Name of shareholders	**Nature of shareholders**	**Percentage of shareholding** *(%)*	**Number of shares held**	**Number of shares subject to trading moratorium**	**Number of shares pledged or frozen**
Panda Electronics Group Limited	State-owned shareholder	51.10	334,715,000	334,715,000	67,350,000 shares were pledged, 92,815,000 shares were judicially frozen and 100,000,000 shares were both pledged and judicially frozen
HKSCC (Nominees) Limited	Foreign shareholder	36.85	241,389,899	0	Unknown
Gong Fei	Public shareholder	0.083	543,722	0	Unknown
Xu Hong	Public shareholder	0.053	350,000	0	Unknown
Guo Mingbo	Public shareholder	0.053	350,000	0	Unknown
Cheng Huiying	Public shareholder	0.048	313,100	0	Unknown
Chengdu Tianfeng Advertising Company Limited	Public shareholder	0.038	250,154	0	Unknown
Guo Jixian	Public shareholder	0.038	249,600	0	Unknown
Song Yunxiang	Public shareholder	0.033	212,982	0	Unknown
KAY AND COMPANY LTD	Foreign shareholder	0.031	200,000	0	Unknown

Notes:

(1) Among the shareholders named above, Panda Electronics Group Limited ("PEGL") held 334,715,000 shares on behalf of the state, representing 51.10% of the issued share capital of the Company, which were circulating shares subject to trading moratorium. Among them, 67,350,000 shares were already pledged while 92,815,000 shares were judicially frozen, and 100,000,000 shares were both pledged and judicially frozen.

(2) HKSCC (Nominees) Ltd. held 241,389,899 H Shares, representing 36.85% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of share capital issued by the Company.

(3) There is no connected relationship or party acting in concert among PEGL and the second to tenth shareholders of the Company. H shares and A shares held by the second to tenth shareholders are circulating shares issued to the public. The Company is not aware of any connected relationship or party acting in concert among the second to tenth shareholders of the Company.

3. Details of the top ten holders of shares not subject to trading moratorium as at 30 June 2007

Name of shareholders	Number of circulating shares held	Class of shares
HKSCC (Nominees) Limited	241,389,899	H
Gong Fei	543,722	A
Xu Hong	350,000	A
Guo Mingbo	350,000	A
Cheng Huiying	313,100	A
Chengdu Tianfeng Advertising Company Ltd	250,154	A
Guo Jixian	249,600	A
Song Yunxiang	212,982	A
KAY AND COMPANY LTD	200,000	H
Huang Liping	200,000	A

Note: The Company is not aware that there is connected relationship or party acting in concert among the top ten holders of circulating shares.

4. Changes of the controlling shareholder and the de facto Controller

During the Reporting Period, no changes were made over the controlling shareholder and the de facto Controller of the Company which were still Panda Electronics Group Limited ("PEGL") and China Huarong Assets Management Company (中國華融資產管理公司) respectively.

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Shareholdings of Directors, Supervisors and Senior Management

As at 30 June 2007, the shareholdings of Directors, Supervisors and Senior Management are as follows:

Name	Position	No. of shares held at the beginning of the Reporting Period *(A share)*	No. of shares increased / decreased during the Reporting period *(+/-)*	No. of shares held at the end of the Reporting Period *(A share)*	Reasons for change
Li Anjian	Chairman and General Manager	0	0	0	
Xu Guofei	Non-executive Director and Vice Chairman	2,546	0	2,546	
Liu Ailian	Non-executive Director	—	0	—	
Zhu Lifeng	Non-executive Director	4,378	0	4,378	
Shi Qiusheng	Non-executive Director	5,940	0	5,940	
Lu Qing	Non-executive Director	0	0	0	
Cai Lianglin	Independent Non-Executive Director	0	0	0	
Tang Yousong	Independent Non-Executive Director	0	0	0	
Ma Chung Lai, Lawrence	Independent Non-Executive Director	0	0	0	
Zhang Zhengping	Chairman of the Supervisory Committee	4,648	0	4,648	
Zhong Youxiang	Supervisor	0	0	0	
Tang Min	Supervisor	0	0	0	
Wu Shiyuan	Independent Supervisor	0	0	0	
Sun Suhua	Independent Supervisor	0	0	0	
Wang Hongjin	Deputy General Manager	6,750	0	6,750	
Wu Liulin	Deputy General Manager	0	0	0	
Liu Kun	Deputy General Manager	0	0	0	
Shen Jianlong	Chief Accountant and Secretary to the Board	0	0	0	

(II) New appointments or dismissals of Directors, Supervisors and Senior Management during the Reporting Period

At the 2006 Annual General Meeting held on 12 June 2007, Mr. Li Anjian, Mr. Xu Guofei, Ms. Liu Ailian, Mr. Zhu Lifeng, Mr. Shi Qiusheng and Mr. Lu Qing were elected as Directors of the Sixth Board of the Company; Mr. Cai Lianglin, Mr. Tang Yousong and Mr. Ma Chung Lai, Lawrence were elected as Independent Directors of the Sixth Board of the Company; Ms. Zhang Zhengping was elected as Supervisor of the Sixth Supervisory Committee of the Company, and Mr. Wu Shiyuan and Ms. Sun Suhua were elected as Independent Supervisors of the Sixth Supervisory Committee of the Company.

At the First Meeting of the Sixth Board of Directors held on 12 June 2007, Mr. Li Anjian and Mr. Xu Guofei were elected as Chairman and Vice Chairman, respectively. Mr. Li Anjian was appointed as General Manager of the Company. Mr. Wang Hongjin, Mr. Wu Liulin and Mr. Liu Kun were appointed as Deputy General Managers of the Company, and Mr. Shen Jianlong was appointed as Chief Accountant of the Company and the Secretary to the Board.

Ms. Zhang Zhengping was elected as Chairman of the Supervisory Committee and Mr. Zhong Youxiang and Ms. Tang Min were confirmed as employee supervisors of the Sixth Supervisory Committee of the Company at the first meeting of the Sixth Supervisory Committee held on 12 June 2007.

(Details were set out in relevant announcements published in China Securities Journal, Shanghai Securities News, Hong Kong Ta Kung Pao and The Standard on 13 June 2007.)

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Principal operations during the Reporting Period

1. Principal operations of the Company

The principal operations of the Company are development, manufacture and sale of satellite communication products, electromechanical products, electronic information products and electronic manufacturing business.

In the first half of 2007, the Company continued to strengthen its corporate reforms for sustainable development. During the Reporting Period, it achieved a remarkable development in businesses such as electronic manufacturing and satellite communications. By enhancing internal control and raising the standard of standardized operation, the Company sped up the development of its joint ventures, including ENC and BMC, which were well-positioned with sustainable development, so as to ensure a stable growth of investment return of the Company.

Under the PRC Accounting Standard for Business Enterprises, operating income of the Company for January to June 2007 amounted to RMB319 million, representing a decrease of 12.71% as compared with the corresponding period of last year; net profit achieved by the Company amounted to RMB32.3327 million, representing an increase of 12.50% as compared with the corresponding period of last year. Under the HK GAAP, operating income of the Company for January to June 2007 amounted to RMB307 million, representing a decrease of 13.10% as compared with the corresponding period of last year; net profit attributable to shareholders of the Company amounted to RMB46.8350 million, representing an increase of 41.95% as compared with the corresponding period of last year.

2. Principal operations by business or product segments
(Prepared under the PRC Accounting Standards for Business Enterprises) (unaudited)

Unit: RMB'000

Business or product	**Operating income**	**Operating costs**	**Gross profit margin** *(%)*	**Operating income increase / (decrease) over last period** *(%)*	**Operating costs increase / (decrease) over last period** *(%)*	**Gross profit margin increase / (decrease) over last period** *(%)*
Electronic manufacturing	116,158	98,688	15.04	10.81	14.55	(2.77)
Electronic information	92,629	75,832	18.13	(24.74)	(32.23)	9.05
Electrometrical	94,124	76,556	18.66	(11.69)	(16.04)	4.21
Satellite telecommunication	—	—	—	(100.00)	(100.00)	—
Others	15,644	12,609	19.40	17.30	50.36	(17.72)
Total	318,554	263,685	17.22	(12.71)	(14.46)	1.70

3. Operation of the principal controlling and investee companies

(1) Nanjing Ericsson Panda Communication Co., Ltd. (“ENC”)

ENC is held as to 27% by the Company, 25% by Telefonaktiebolaget L.M. Ericsson, 26% by Ericsson (China), 20% by China Potevio Co., Ltd. and 2% by Hong Kong Yung Shing Enterprise Company. ENC is mainly engaged in producing products, such as GSM, GPRS, CDMA mobile telecommunication system products and network communication systems. As a logistic centre in Asia Pacific region for Ericsson, it is also the largest supplier of GSM and GPRS equipment and one of the major CDMA equipment suppliers in the PRC. During the first half of 2007, ENC achieved sustainable and steady development in its production and operation by proactively exploring markets and constantly enhancing the competitiveness of its products. Under the PRC Accounting Standard for Business Enterprises, it recorded sales revenue of RMB6,531 million in the Reporting Period, representing an increase of 48.06% as compared with the corresponding period of last year and recorded net profit of RMB225 million, representing an increase of 33.14% as compared with the corresponding period of last year.

(2) Beijing SE Putian Mobile Communication Co., Ltd. (“BMC”)

BMC is held as to 20% by the Company, 51% by Sony Ericsson Mobile Communication Limited, 27% by China Potevio Co., Ltd. and 2% by Yung Shing. BMC is mainly engaged in manufacturing of mobile terminals (mobile phones) under the brand of Sony Ericsson, which is the principal base for manufacture of Sony Ericsson mobile phones. Under the PRC Accounting Standards, it recorded sales of RMB16,436 million in the Reporting Period, representing an increase of 72.05% as compared with the corresponding period of last year and recorded net profit of RMB383 million, representing an increase of 221.85% as compared to the corresponding period of last year.

(II) Summary of analysis of operational performance and financial position

1. Analysis of reasons for movements of principal financial indicators (Prepared under the PRC Accounting Standards) (unaudited)

Unit: RMB

Items	Jan-Jun 2007	Jan-Jun 2006	Change (%)
Operating income	**318,554,329.26**	364,927,655.03	**(12.71)**
Operating profit	**55,628,104.61**	36,228,579.64	**53.55**
Investment income	**139,548,962.71**	66,972,017.20	**108.37**
Loss from asset depreciation	**28,847,307.31**	(11,612,534.89)	**348.42**
Non-operating expenditure	**19,001,251.93**	1,969,135.53	**864.95**
Net profit	**32,332,684.95**	28,740,323.47	**12.50**
Net increase from cash and cash equivalents	**(188,832,446.39)**	45,364,724.21	**(516.25)**

Items	As at 30 June 2007	As at 31 December 2006	Change (%)
Total assets	**2,768,150,410.15**	2,785,849,177.56	**(0.64)**
Shareholders' fund	**1,393,847,415.92**	1,361,514,730.97	**2.37**
Other receivables	**104,735,366.38**	555,531,779.05	**(81.15)**
Long-term equity investment	**1,064,158,190.44**	537,994,917.66	**97.80**

Notes:

1. During the Reporting Period, the decrease in operating income was mainly attributable to the decrease in sales of satellite communication products and export of television top box products.

2. During the Reporting Period, the increase in operating profit and investment income was mainly attributable to the significant increase in the net profit from the joint ventures including ENC and BMC for the first half of 2007.

3. During the Reporting Period, the loss in impairment of assets was mainly attributable to the increase in proportions of changes in the accounting estimate, provisions for bad debts and the increase in loss for decline in value of provision for inventory.

4. The increase in non-operating expenditure was mainly due to the debt restructuring with Jiangsu International Trust & Investment Corporation Limited and the debt restructuring loss for receiving the equity interest of Hua Fei Colour Display Systems Company Limited.

5. The growth in net profit during the Reporting Period was mainly attributable to the significant increase in investment income.

6. The decrease in net increase from cash and cash equivalents during the Reporting Period was mainly attributable to the repayment of short-term loans and payment of goods purchased.

7. The decrease in other receivables during the Reporting Period was mainly arising from the debt restructuring.

8. The increase in long-term equity investment during the Reporting Period was mainly due to the debt restructuring and investment income.

2. Liquidity of asset

In accordance with the Generally Accepted Accounting Principles in Hong Kong, as at 30 June 2007, the Company's consolidated gearing ratio (the ratio of total liability to total assets) was 47.21%; current net assets value was RMB(137) million; liquidity ratio was 0.89; quick ratio was 0.64; bank deposits and cash were RMB457 million; total loan amounted to approximately RMB799 million with a standard annual interest rate of 6.57% (the rate is 6.84% since 21 July 2007).

(III) Investments in the Reporting Period

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

(IV) Business plans for the second half of the year 2007

In the second half of 2007, the Company will further leaverage on its advantage in technological research and development to enforce technological innovation. The Company will focus on the development of major segments such as satellite telecommunication, electrometrical, electronic information and electronic manufacturing, and will strive to take proactive actions to foster a stable development of the major sectors.

Meanwhile, the Company will continue to strength international cooperation, quicken the pace of development of sino-foreign joint ventures, particularly that of ENC and BMC, and ensure a stable growth in returns on investment.

(V) Employees of the Company

As at 30 June 2007, there were 1,873 employees in the Company, of which 1,058 were engaged in production, 457 in technology, 42 in sales, 61 in finance and 255 in administration and management. There were 1,762 retirees, for whom the Company undertook to pay retirement pension.

V. SIGNIFICANT EVENTS

(I) During the Reporting Period, the Company did not make any profit appropriation, transfer of public reserves to increase share capital and plans for new issue which were recommended in the previous period and implemented in the Reporting Period. The Company did not make profit distribution and did not increase its share capital by transfer from public reserve in the first half year of 2007.

(II) Material litigation and arbitration

There was no litigation and arbitration which was material to the Company during the Reporting Period or has already occurred in the previous periods and subsisted during the Reporting Period.

(III) Repayment of RMB500 million debts and transfer of equity interest

The transfer of 25% equity interest of Hua Fei Color Display Systems Company Limited ("Hua Fei") was approved by the PRC's Ministry of Commerce on 28 April 2007, and Nanjing Industrial and Commercial Administration Bureau approved Hua Fei's application for change of its business registration record and issued a new corporate business license to Hua Fei on 28 May 2007. According to the new business license, the registered capital of Hua Fei is US$289.12 million, with the Company holding 25% of the registered capital representing US$72.28 million. Thus, the transfer of 25% equity interest in Hua Fei has been completed. As a result of the transaction, the RMB500 million debts together with interests accrued thereon have been fully repaid by Jiangsu International Trust to the Company by way of share transfer.

(For details, please refer to the announcements published on China Securities Journal and Shanghai Securities News on 2 June 2007, and Hong Kong Ta Kung Pao and The Standard on 4 June 2007.)

(IV) On 9 April 2007, the Company received a notice issued by Nanjing State-owned Assets Supervision and Administration Commission of the PRC ("SASAC") that on 9 April 2007, SASAC signed an agreement (the "Agreement") with China Electronics Corporation ("CEC") and Jiangsu Provincial State-owned Information Asset Management Group Company Limited ("Guo Xin Group") to jointly invest and establish a joint venture company ("the JV Company"). SASAC and Guo Xin Group invested their respective equity interest in PEGL in the JV Company.

On 11 May 2007, the Company received a notice that a business license was issued to the JV Company after the approval of the relevant PRC government authorities. The JV Company is named as Nanjing Electronics Information Industrial Corporation ("NJEC"). The registered capital of NJEC is RMB1 billion, of which CEC accounts for 70%, SASAC accounts for 15% and Guo Xin Group accounts for 15%.

Upon completion of registration of change in PEGL's equity interest, NJEC will hold 47.98% equity interests in PEGL and becomes the largest shareholder of PEGL.

(For details, please refer to the announcements dated 12 April 2007 and 14 May 2007 which were published in China Securities Journal and Shanghai Securities News, and announcements dated 27 April 2007 and 14 May 2007 which were published in Hong Kong Ta Kung Pao and The Standard.)

(V) Material connected transactions

1. The Company had no material connected transaction or asset reorganization save and except the continuing connected transactions of the Company in the first half of 2007 which were conducted in the normal course of business and on normal commercial terms. As the waiver of continuing connected transactions granted by the Hong Kong Stock Exchange expired in year 2004, the Company failed to comply with the reporting, announcement and independent shareholders' approval requirement under the Listing Rules of the Hong Kong Stock Exchange of the continuing connected transactions conducted in 2005 and 2006 ("Previous Continuing Connected Transactions"). In respect of the continuing connected transactions from 2007 to 2009 ("New Continuing Connected Transactions"), the Company has reported and announced the same on 11 December 2006, and independent shareholders approved the New Continuing Connected Transactions at the EGM held on 3 April 2007. As at the end of the Reporting Period, the Previous Continuing Connected Transactions are under review by the Hong Kong Stock Exchange.

2. Connected transactions relating to day-to-day operation

   During the Reporting Period, the connected transactions relating to sale of products and provision of services to the controlling shareholder and its subsidiaries by the Company amounted to RMB21.3679 million.

3. Transactions relating to creditor's rights and debt

Unit: RMB

Related parties	Provision of funds to related parties: Amount of transaction	Provision of funds to related parties: Balance	Provision of funds to the Company by related parties: Amount of transaction	Provision of funds to the Company by related parties: Balance
Panda Electronic Group Ltd.	—	815,389.55	(70,970,114.97)	6,131,890.76
Nanjing Panda Television Co Ltd.	—	1,125,977.49	1,049,197.65	2,496,335.14
Nanjing Panda Electromechanical Instruments Technology Co. Ltd.	—	565,351.08	(705,351.08)	—
Nanjing Panda Chenguang Electronic Co Ltd.	—	12,986,830.72	—	—
Nanjing Panda Ju Neng Small Home Electronic Appliance Co. Ltd.	—	21,372,784.19	1,913,534.04	—
Intenna (Nanjing) Communications Systems Ltd., Co.	—	1,000,000.00	—	—
Panda Electronics (Kun Shan) Co. Ltd.	300,000.00	1,185,220.94	867,000.00	—
Nanjing Panda Tamura Communications Power Supply Co. Ltd.	14,281.51	14,281.51	—	—
Nanjing Lianhua Nap New Coating & Decorating Co. Ltd.	—	2,159,223.42	232,175.00	—
Nanjing Panda Handa Technology Co., Ltd.	—	—	275,050.45	275,050.45
Nanjing Tai Lei Zi Panda Transportation System Company Limited	—	—	2,349,754.00	2,349,754.00
Nanjing Panda Technology Industrial Co. Ltd.	—	—	315,677.46	315,677.46
Nanjing Lianhui Communications Technology Co. Ltd.	—	20,000.00	(20,000.00)	—
Total	314,281.51	41,245,058.90	(64,693,077.45)	11,568,707.81

Of which: During the Reporting Period, the appropriated capital provided by the Company to the controlling shareholder and its subsidiaries was nil and the balance amounted to RMB(6.6922) million.

(VI) Material guarantee

As at 30 June 2007, the Company provided guarantees to secure the following: a bank loan of RMB5,000,000 for Nanjing Panda Mechanical Manufacturing Co., Ltd, a subsidiary of the Company; a bank loan of RMB7,808,700 (equivalent to US$1 million) for Nanjing Panda Information Industrial Co. Ltd.; a financing lease of RMB17,500,000 for Nanjing Panda Information Industrial Co., Ltd.; and a bank loan of RMB17,000,000 for Nanjing Huage Appliance and Plastic Industrial Co., Ltd. ("Nanjing Huage").

The guarantees above were granted to its controlling subsidiary, totaling RMB47,308,700 and representing 3.39% of net asset value of the Company. The gearing ratio of the guaranteed parties above were not over 70%.

The Company does not grant any guarantee to independent third parties other than the controlling subsidiary, nor does it provide any guarantee to the controlling shareholder, the de facto controlling person and its connected parties.

(VII) During the Reporting Period, the Company did not hold stocks and securities issued by other listed companies and did not hold shares of unlisted financial enterprises and proposed listing companies.

(VIII) It was resolved at the Annual General Meeting held on 12 June 2007 that Yue Hua Certified Public Accountant Co. Ltd. and Horwath Hong Kong CPA Limited were reappointed as domestic and international auditors of the Company for 2007 respectively.

(IX) The Audit Committee comprising five non-executive Directors, and the senior management have reviewed the accounting principles and accounting standards and methods adopted by the Company, studied the matters relating to internal control and reviewed the interim results for the Reporting Period. The Audit Committee is of the opinion that the relevant unaudited financial statements comply with the applicable accounting standards and legal requirements and that adequate disclosure have been made.

(X) Other matters

1. Income tax

   The Company is registered in Nanjing High Technology Industry Development Zone which is approved by the State Council as a national grade high technology industry development zone. The Company has been approved by Jiangsu Provincial Technological Commission as a high technology enterprise, which is entitled to a preferential income tax rate of 15% as per existing policy. Until now, the Company is still entitled to the preferential policy.

2. Purchase, sale and redemption of listed securities of the Company or its subsidiaries

   During the Reporting Period, there was no purchase, sale or redemption by the Company or its subsidiaries of its listed securities.

3. Pre-emptive rights

   In accordance with the laws of the PRC and the articles of association of the Company, there are no provisions for the pre-emptive rights for the Company.

4. Corporate Governance

In the corporate governance report which was published in the Company's 2006 Annual Report, it was reported that the Company has adopted and strived to comply with the Code on Corporate Governance Practices as set out in Appendix 14 of Listing Rules ("CGP Code"). The work done by and deviations of the Company during the Reporting Period are as follows:

(1) During the Reporting Period, according to the requirements of the Notice on the Implementation of the Administrative Measures for Information Disclosure of Listed Companies (Su Zhen Jian Gong Si Zi No. [2007]121) and the Notice on Strengthening the Management of Shares Held by the Directors, Supervisors and Senior Management of Listed Companies and the Changes thereof (Su Zhen Jian Gong Si Zi No. [2007]153) issued by Jiangsu Office of CSRC, the Company established Nanjing Panda Electronics Company Limited Management Rules on Information Disclosure and Nanjing Panda Electronics Company Limited Management Rules on Shares Held by the Directors, Supervisors and Senior Management of the Company and the Changes thereof respectively.

(2) The special committees, including the Sixth Board of Directors, Strategy Committee, Audit Committee, Nomination Committee and Remuneration & Evaluation Committee, were formed at the First Meeting of the Sixth Board of Directors held on 12 June 2007. The majority members of the newly formed Audit Committee, Nomination Committee and Remuneration & Evaluation Committee are independent non-executive directors and all of the committees are chaired by independent non-executive directors, which comply with the "Rules for Corporate Governance" of China Securities Regulatory Commission and relevant requirements as set forth in the CGP Code of the Stock Exchange of Hong Kong.

(3) During the Reporting Period, in response to the main problems and proposed measures as suggested in the Report on Review of Internal Control provided by Horwath Risk Advisory Services Limited in June 2006, the Company continued to improve its internal control system and strengthen management on information disclosure and supervision on internal audit. The Company also arranged learning and training courses in respect of rules for corporate governance and the new accounting policy for relevant management staff.

(4) The Company has reported, announced and acquired Independent Shareholders' approval in respect of New Continuing Connected Transactions, which is in compliance with provisions of Rule 14A.35 of the Listing Rules (Please see Paragraph V(1) for details).

(5) The positions of the Chairman and General Manager (Chief Executive Officer) are both held by Mr. Li Anjian. This is a deviation from the code provision (A.2.1) of CGP Code.

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

During the Reporting Period, the Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry with all Directors who confirmed that they have complied with the Model Code during the Reporting Period.

6. The status of the Company, the Board and its Directors being subject to administrative penalty or public criticism by CSRC or Stock Exchanges during the Reporting Period:

Since the end of 2005, the Stock Exchange of Hong Kong has started the disciplinary procedures in respect of the Company's level of information disclosure against the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Listing Committee of the Stock Exchange of Hong Kong Limited convened a disciplinary hearing on 26 June 2007 and issued a press release on 9 August 2007 in respect of disciplinary action against the Company, certain existing directors and ex-directors, including censure and criticism against the relevant existing directors and ex-directors of the Company. Please refer to the website of the Hong Kong Stock Exchange for details.

VI. FINANCIAL STATEMENTS (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS)

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

(II) Financial Statements (Prepared in accordance with the PRC Accounting Standards, Unaudited)

Balance Sheet

Unit: RMB

Assets	30 June 2007		31 December 2006	
	Consolidated	Holding company	Consolidated	Holding company
Current assets:				
Cash and bank balances	**456,838,659.26**	**386,867,898.08**	652,094,029.71	540,035,813.29
Trading financial assets	**—**	**—**	—	—
Bills receivable	**409,477.65**	**173,200.01**	31,775,270.00	30,098,000.00
Accounts receivable	**156,854,633.55**	**26,850,340.90**	163,415,609.64	61,746,509.94
Prepayments	**126,537,119.57**	**65,627,961.27**	76,380,467.07	43,743,400.62
Interest receivable	**—**	**—**	—	—
Dividends receivable	**—**	**1,677,294.39**	—	1,677,294.39
Other receivables	**104,735,366.38**	**95,778,354.92**	555,531,779.05	599,967,169.42
Stocks	**336,407,539.05**	**217,560,426.54**	236,837,950.71	130,338,506.15
Non-current assets due within one year	**—**	**—**	—	—
Other current assets	**—**	**—**	—	—
Total current assets	**1,181,782,795.46**	**794,535,476.11**	1,716,035,106.18	1,407,606,693.81

Non-current assets:				
Available-for-sale financial assets	**—**	**—**	—	—
Held-to-maturity investments	**—**	**—**	—	—
Long-term receivables	**—**	**—**	—	—
Long-term equity investments	**1,064,158,190.44**	**1,223,231,310.00**	537,994,917.66	697,112,094.87
Investment properties	**—**	**—**	—	—
Fixed assets, at cost	**715,672,552.82**	**385,468,738.68**	712,755,744.96	384,773,935.43
Less: accumulated depreciation	**236,870,291.11**	**103,686,293.49**	220,880,822.43	97,722,353.32
Fixed assets, net	**478,802,261.71**	**281,782,445.19**	491,874,922.53	287,051,582.11
less: provision for impairment	**8,139,541.27**	**7,854,185.11**	8,139,541.27	7,854,185.11
Fixed assets, net	**470,662,720.44**	**273,928,260.08**	483,735,381.26	279,197,397.00
Construction in progress	**19,780,175.00**	**17,318,825.01**	16,486,338.80	14,096,558.60
Construction supplies	**—**	**—**	—	—
Clearance of fixed assets	**—**	**—**	—	—
Biological assets for production	**—**	**—**	—	—
Intangible assets	**12,447,655.04**	**11,767,610.46**	12,734,190.07	12,012,509.80
Development expenses	**—**	**—**	—	—
Goodwill	**—**	**—**	—	—
Long term deferred expenses	**3,478,308.90**	**—**	—	—
Deferred tax asset	**15,840,564.87**	**—**	18,863,243.59	—
Other non-current assets	**—**	**—**	—	—
Total non-current assets	**1,586,367,614.69**	**1,526,246,005.55**	1,069,814,071.38	1,002,418,560.27
Total assets	**2,768,150,410.15**	**2,320,781,481.66**	2,785,849,177.56	2,410,025,254.08

Unit: RMB

Liabilities and Shareholders' Equity	30 June 2007		31 December 2006	
	Consolidated	**Holding company**	Consolidated	Holding company
Current liabilities:				
Short term loans	**743,396,372.86**	**713,587,672.86**	836,070,200.00	806,000,000.00
Trading financial liabilities	**—**	**—**	—	—
Bills payable	**25,463,425.00**	**20,000,000.00**	37,794,637.80	20,000,000.00
Accounts payable	**189,015,965.22**	**33,370,938.78**	148,551,080.80	45,421,192.14
Advances from customers	**137,970,508.88**	**87,832,872.42**	53,792,028.89	4,786,379.41
Salaries payable	**20,561,914.15**	**12,319,650.95**	17,365,001.86	8,126,439.15
Taxes payable	**40,356,920.89**	**37,863,550.58**	47,642,104.38	46,926,373.41
Interest payable	**—**	**—**	—	—
Dividends payable	**—**	**—**	—	—
Other payables	**143,143,502.95**	**50,289,304.85**	205,216,630.49	143,029,675.20
Non-current liabilities due within one year	**—**	**—**	—	—
Other current liabilities	**—**	**—**	—	—
Total current liabilities	**1,299,908,609.95**	**955,263,990.44**	1,346,431,684.22	1,074,290,059.31
Non-current liabilities:				
Long term loans	**—**	**—**	—	—
Bonds payables	**—**	**—**	—	—
Long term payables	**29,672,715.46**	**—**	34,990,818.63	—
Specific payables	**—**	**—**	—	—
Accrued liabilities	**—**	**—**	—	—
Deferred tax liability	**11,550.64**	**11,550.64**	11,550.64	11,550.64
Other non-current liabilities	**—**	**—**	—	—
Total non-current liabilities	**29,684,266.10**	**11,550.64**	35,002,369.27	11,550.64
Total liabilities	**1,329,592,876.05**	**955,275,541.08**	1,381,434,053.49	1,074,301,609.95

Shareholders' equity:				
Share capital	**655,015,000.00**	**655,015,000.00**	655,015,000.00	655,015,000.00
Capital reserve	**480,404,773.85**	**480,219,584.04**	480,404,773.85	480,219,584.04
Less: treasury stock	**—**	**—**	—	—
Surplus reserve	**191,184,000.53**	**191,184,000.53**	191,184,000.53	191,184,000.53
Undistributed profits	**67,243,641.54**	**39,087,356.01**	34,910,956.59	9,305,059.56
Difference in conversion of foreign exchange	**—**	**—**	—	—
Total shareholders' equity attributable to the Parent	**1,393,847,415.92**	**1,365,505,940.58**	1,361,514,730.97	1,335,723,644.13
Minority interests	**44,710,118.18**	**—**	42,900,393.10	—
Total shareholders' equity	**1,438,557,534.10**	**1,365,505,940.58**	1,404,415,124.07	1,335,723,644.13
Total liabilities and shareholders' equity	**2,768,150,410.15**	**2,320,781,481.66**	2,785,849,177.56	2,410,025,254.08

Profit and Loss Statement

Unit: RMB

Items	Jan-Jun 2007 Consolidated	Jan-Jun 2007 Holding Company	Jan-Jun 2006 Consolidated	Jan-Jun 2006 Holding Company
1. Total operating income	**318,554,329.26**	**37,684,049.65**	364,927,655.03	25,547,266.77
Include: Operating income	**318,554,329.26**	**37,684,049.65**	364,927,655.03	25,547,266.77
2. Total operating cost	**402,475,187.36**	**128,543,396.33**	395,671,092.59	68,652,260.06
Include: Operating cost	**263,685,454.97**	**34,023,363.79**	308,260,256.15	18,366,965.17
Business taxes and surcharge	**2,191,364.88**	**65,133.59**	2,104,166.60	2,514.15
Selling expenses	**13,481,321.85**	**963,671.42**	12,661,450.16	216,089.52
Administrative expenses	**67,303,917.16**	**45,419,982.02**	58,263,346.55	38,026,038.36
Financial expenses	**26,965,821.19**	**24,160,049.37**	25,994,408.02	24,665,754.00
Loss in assets impairment	**28,847,307.31**	**23,911,196.14**	(11,612,534.89)	(12,625,101.14)
Add: Income from change in fair value (losses are represented by "-")	**—**	**—**	—	—
Investment income (losses are represented by "-")	**139,548,962.71**	**139,548,962.71**	66,972,017.20	66,972,017.20
Include: Investment income of associates and joint ventures	**139,548,962.71**	**139,548,962.71**	66,972,017.20	66,972,017.20
3. Operating profit (losses are represented by "-")	**55,628,104.61**	**48,689,616.03**	36,228,579.64	23,867,023.91
Add: Non-operating income	**818,396.64**	**—**	1,276,696.50	11,140.00
Less: Non-operating expenses	**19,001,251.93**	**18,907,319.58**	1,969,135.53	1,840,029.29
Include: Loss from the disposal of non-current assets	**1,752.20**	**—**	1,887,205.57	1,833,529.29

4. Total Profit				
(losses are represented by "-")	**37,445,249.32**	**29,782,296.45**	35,536,140.61	22,038,134.62
Less: Income tax	**4,716,383.52**	**—**	4,724,565.93	—
5. Net Profit				
(losses are represented by "-")	**32,728,865.80**	**29,782,296.45**	30,811,574.68	22,038,134.62
Profit attributable to the equity shareholders of the Parent	**32,332,684.95**	**29,782,296.45**	28,740,323.47	22,038,134.62
Minority interest	**396,180.85**	**—**	2,071,251.21	—
6. Earnings per share:				
(1) Basic earnings per share	**0.0494**	**0.0455**	0.0439	0.0336
(2) Diluted earnings per share	**0.0494**	**0.0455**	0.0439	0.0336

Statement of Change of Shareholders' equity

	January to June 2007							
	Shareholders' equity attributable to the Parent							
Items	**Share capital**	**Capital reserve**	**Less: treasury stock**	**Surplus reserve**	**Undistributed profits**	**Other**	**Minority interest**	**Total shareholders' equity**
1. Balance of last year	655,015,000.00	480,404,773.85	—	191,184,000.53	34,910,956.59		42,900,393.10	1,404,415,124.07
Add: Change in accounting policies	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—
2. Balance at the beginning of this year	655,015,000.00	480,404,773.85	—	191,184,000.53	34,910,956.59	—	42,900,393.10	1,404,415,124.07
3. Change of this year (a decrease is represented by "-")								
(1) Net profit	—	—	—	—	32,332,684.95	—	1,809,725.08	34,142,410.03
(2) Profit and loss directly accounted for in shareholders' equity								
1. Net change in fair value of financial assets available for sale	—	—	—	—	—	—	—	—
2. Effect of changes in other shareholders' equity in investee companies referred at equity	—	—	—	—	—	—	—	—
3. Effect of income tax relating to items of shareholders' equity	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
Subtotal of item (1) and (2) above	—	—	—	—	32,332,684.95	—	1,809,725.08	34,142,410.03

(3) Contribution by shareholders and reduction of capital								
1. Capital contribution by shareholders	—	—	—	—	—	—	—	—
2. Amount settled by shares for amount accounted for in shareholders' equity	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(4) Profit distribution								
1. Transfer from surplus reserves	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(5) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Compensation of loss from surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
4. Balance at the end of this year	655,015,000.00	480,404,773.85	—	191,184,000.53	67,243,641.54	—	44,710,118.18	1,438,557,534.10

January to June 2006

Shareholders' equity attributable to the Parent

Items	Share capital	Capital reserve	Less: treasury stock	Surplus reserve	Undistributed profits	Other	Minority interest	Total shareholders' equity
1. Balance of last year	655,015,000.00	480,208,784.04	—	188,137,542.53	(58,682,872.55)	(6,440,994.67)	—	1,258,237,459.35
Add: Change in accounting policies	—	—	—	—	12,010,813.59	6,440,994.67	45,117,002.21	63,568,810.47
Correction of prior errors	—	—	—	—	—	—	—	—
2. Balance at the beginning of this year	655,015,000.00	480,208,784.04	—	188,137,542.53	(46,672,058.96)	—	45,117,002.21	1,321,806,269.82
3. Change of this year								
(a decrease is represented by "-")								
(1) Net profit	—	—	—	—	28,740,323.47	—	(2,222,334.41)	26,517,989.06
(2) Profit and loss directly accounted for in shareholders' equity								
1. Net change in fair value of financial assets available for sale	—	—	—	—	—	—	—	—
2. Effect of changes in other shareholders' equity in investee companies referred at equity	—	—	—	—	—	—	—	—
3. Effect of income tax relating to items of shareholders' equity	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
Subtotal of item (1) and (2) above	—	—	—	—	28,740,323.47	—	(2,222,334.41)	26,517,989.06

(3) Contribution by shareholders and reduction of capital								
1. Capital contribution by shareholders	—	—	—	—	—	—	—	—
2. Amount settled by shares for amount accounted for in shareholders' equity	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(4) Profit distribution								
1. Transfer from surplus reserves	—	—	—	—	—	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(5) Internal transfer of shareholders' equity								
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—
3. Compensation of loss from surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
4. Balance at the end of this year	655,015,000.00	480,208,784.04	—	188,137,542.53	(17,931,735.49)	—	42,894,667.80	1,348,324,258.88

Cash flow statement

Unit: RMB

Items	Jan - Jun 2007 Consolidated	Jan - Jun 2007 Holding Company
1. Cash flows from operating activities		
Cash received from the sale of goods and services provided	464,194,632.22	162,116,358.61
Return of tax payment	2,122,941.16	—
Other cash received relating to operating activities	981,485,143.00	912,079,156.52
Sub-total of cash inflows from operating activities	1,447,802,716.38	1,074,195,515.13
Cash paid on purchase of goods and services	391,767,492.27	153,470,974.45
Cash paid to staff and paid on behalf of staff	91,315,377.71	42,277,354.80
Taxes paid	21,827,523.32	1,276,630.23
Cash paid relating to other operating activities	991,655,841.22	912,977,100.59
Sub-total of cash outflows from operating activities	1,496,566,234.52	1,110,002,060.07
Net cash flows from operating activities	(48,763,518.14)	(35,806,544.94)

Items	Jan - Jun 2007 Consolidated	Holding Company
2. Cash flows from investment activities:		
Cash received from investment recovered	6,322,470.00	6,322,470.00
Cash received from investment income	—	—
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	8,080.00	—
Cash received from disposal of subsidiaries and other business units	—	—
Cash received relating to other operating activities	—	—
Sub-total of cash inflows from investment activities	6,330,550.00	6,322,470.00
Cash paid on purchase of fixed assets, intangible assets and other long term assets	28,181,404.77	7,071,575.51
Cash paid for investment	—	—
Net cash paid on acquisition of subsidiaries and other business units	—	—
Cash paid on other investment activities	—	—
Sub-total of cash outflows from investment activities	28,181,404.77	7,071,575.51
Net cash flows from investment activities	(21,850,854.77)	(749,105.51)

Items	Jan - Jun 2007 Consolidated	Holding Company
3. Cash flows from financing activities:		
Cash received from investment	—	—
Including: cash received by subsidiaries from equity investment of minority shareholders	—	—
Cash received from borrowings	296,000,000.00	284,000,000.00
Cash received from bond issue	—	—
Cash received from other financing activities	—	—
Sub-total of cash inflows from financing activities	296,000,000.00	284,000,000.00
Cash paid on repayment of debts	388,412,327.14	376,412,327.14
Cash paid on distribution of dividends or profits, or interest repayment	25,805,746.34	24,344,055.63
Including: dividends and profit paid to minority shareholders by subsidiaries	—	—
Cash paid on other financing activities	—	—
Sub-total of cash outflows from financing activities	414,218,073.48	400,756,382.77
Net cash flows from financing activities	(118,218,073.48)	(116,756,382.77)
4. Effect on cash due to foreign currency exchange	—	(55,881.99)
5. Net increase in cash and cash equivalents	(188,832,446.39)	(153,367,915.21)
Add: balance of cash and cash equivalents at the beginning of the year	607,318,095.22	518,982,179.29
6. Balance of cash and cash equivalents at the end of the year	418,485,648.83	365,614,264.08

Cashflow Supplementary Information

Unit: RMB

Items	Jan - Jun 2007 Consolidated	Jan - Jun 2007 Holding Company
1. Reconciliation of net profit to net cash flows from operating activities:		
Net profit	32,728,865.80	29,782,296.45
Add: Provision for assets impairment	28,847,307.31	23,911,196.14
Depreciation of fixed assets	18,915,742.54	5,963,940.17
Amortisation of intangible assets	361,335.03	244,899.34
Amortisation of long term deferred expenses	259,136.77	—
Loss arising from disposal of fixed assets, intangible assets and other long term assets (Income is represented by "-")	—	—
Loss from fixed assets scrapped (Income is represented by "-")	—	—
Loss from change in fair value (Income is represented by "-")	—	—
Financial expense	26,965,821.19	24,160,049.37
Loss on investment	(139,548,962.71)	(139,548,962.71)
Decrease in deferred income tax assets (Increase is represented by "-")	3,022,678.72	—
Increase in derred income tax liabilities (Decrease is represented by "-")	—	—
Decrease in inventories (Increase is represented by "-")	(91,988,199.47)	(94,640,531.52)
Decrease in trade debtors (Increase is represented by "-")	27,486,528.61	136,045,222.88
Increase in trade creditors (Decrease is represented by "-")	44,186,228.07	(21,724,655.06)
Others	—	—
Net cash flows from operating activities	(48,763,518.14)	(35,806,544.94)

2. Investment and financial activities not involving cash:

Debt capitalization	—	—
Convertible bonds due within one year	—	—
Lease of fixed assets by financing	—	—

3. Net change in cash and cash equivalents:

Cash balance as at end of the year	456,838,659.26	386,867,898.08
Less: deposits at end of the year	38,353,010.43	21,253,634.00
Less: cash balance as at beginning of the year	652,094,029.71	540,035,813.29
Add: deposits at beginning of the year	44,775,934.49	21,053,634.00
Add: balance of cash equivalents as at the end of the year	—	—
Less: balance of cash equivalents as at the beginning of the year	—	—
Net increase in cash and cash equivalents	(188,832,446.39)	(153,367,915.21)

(III) Notes to financial statements

1. The changes in accounting policies, accounting estimate in the Reporting Period as compared with the 2006 Annual Report are as follows:

   Since 1 January 2007, the Company has adopted the new Accounting Standards for Business Enterprises promulgated on 15 February 2006 by the Ministry of Finance. In accordance with the new accounting standards and pursuant to the Notice of Proper Financial Information Disclosure under New Accounting Standards (Zheng Jian Fa [2006] No.136) and Q&A No.7 regarding Rules on Information Disclosure of Publicly-Listed Companies - Preparation and Disclosure of Comparative Financial Information during the Transitional Period of Existing and New Accounting Standards issued by CSRC, certain amendments were made to the accounting policies and retrospective adjustments were made to the comparative financial statements of the Company.

2. There was no significant change in consolidation scope of financial statements in the Reporting Period as compared with the 2006 Annual Report.

VII. DOCUMENTS AVAILABLE FOR INSPECTION

1. The 2007 Interim Report signed by the Chairman;

2. The financial statements signed and sealed by the legal representative, officer in charge of accounting work and officer in charge of accounting department of the Company;

3. The announcements published in Shanghai Securities News, China Securities Journal, Hong Kong Ta Kung Pao and The Standard during the Reporting Period;

4. The memorandum and articles of association of the Company;

5. 2007 Interim Report published in Hong Kong and Shanghai securities market.

The Board comprises: 1. Executive Director: Mr. Li Anjian; 2. Non-executive Directors: Mr. Xu Guofei, Ms. Liu Ailian, Mr. Zhu Lifeng, Mr. Shi Qiusheng, Mr. Lu Qing; 3. Independent Non-executive Directors: Mr. Cai Lianglin, Mr Tang Yousong, Mr. Ma Chung Lai, Lawrence.

By Order of the Board
Li Anjian
Chairman

Nanjing, the People's Republic of China
14 August 2007