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)

PRELIMINARY RESULTS ANNOUNCEMENT OF 2007 (REVISED)

1. IMPORTANT NOTICE

1.1 Reference is made to the Company's Preliminary Results Announcement of 2007 published online at 7:16 a.m. on 28 March 2008 in which information relating to the final dividend had been mistakenly stated.

The Board wishes to clarify that the payment of a **final dividend** of RMB0.08 per share in respect of the year ended 31 December 2007 has been **recommended** by the Board.

The Board wishes to apologize for any inconvenience caused to the shareholders and investors.

1.2 The Board of Directors (the "Board"), the Directors, the Supervisory Committee, the Supervisors and senior management staffs of Nanjing Panda Electronics Company Limited confirm that the information in this announcement does not contain any misrepresentation, misleading statements, or material omissions and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents. This announcement was extracted from the full text of the 2007 Annual Report which would provide all the information for the year ended 31 December 2007 required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Investors who are interested in obtaining detailed information should read the 2007 Annual Report.

1.3 Directors Mr. Li Anjian and Mr. Shi Qiusheng were engaged in other duties and therefore did not attend the Board meeting. Both of them have appointed Mr. Xu Guofei to attend the meeting and to exercise the voting rights on their behalves.

1.4 Both Shu Lun Pan Horwath Hong Kong CPA Limited and China Rightson Yuehua Certified Public Accountants Company Limited have prepared the unqualified auditors' reports.

1.5 Mr. Li Anjian, Chairman of the Company, Mr. Shen Jianlong, Chief Accountant, and Ms. Wu Yuzhen, Manager of the Finance Department, have declared the truthfulness and completeness of these financial statements contained in the 2007 Annual Report.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic information

Stock abbreviation	A Share: Nanjing Panda	H Share: Nanjing Panda
Stock code	600775	0553
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address	Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China	
Office address	301 Zhong Shan Road East, Nanjing, the People's Republic of China	
Postal code	210002	
Website	http://www.panda.cn	
E-mail address	dms@panda.cn	

2.2 Contact person and means of contact

	Secretary of the Board of Directors	**Securities Affairs Representative**
Name	Shen Jianlong	Chen Yebao
Correspondence address	301 Zhong Shan Road East, Nanjing, the People's Republic of China	301 Zhong Shan Road East, Nanjing, the People's Republic of China
Telephone	8625-84801442	8625-84801144
Facsimile	8625-84820729	8625-84820729
E-mail address	dms@panda.cn	dms@panda.cn

3. ACCOUNTING DATA AND FINANCIAL INDICATORS HIGHLIGHTS

3.1 Prepared in accordance with accounting standards generally accepted in Hong Kong

The directors ("Directors") of Nanjing Panda Electronics Company Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 with comparatives as follows :

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** *RMB'000*	2006 *RMB'000*
Turnover	2	**994,038**	880,973
Cost of sales		**(848,399)**	(744,211)
Gross profit		**145,639**	136,762
Other revenue	3	**25,365**	18,272
Distribution costs		**(18,282)**	(17,904)
Administrative expenses		**(217,055)**	(205,344)
Finance costs	4	**(60,596)**	(56,799)
Share of results of associates		**247,405**	230,730
Profit before tax	5	**122,476**	105,717
Income tax expenses	6	**(2,665)**	(4,160)
Profit for the year		**119,811**	101,557

Attributable to:			
Equity holders of the Company		**111,995**	93,110
Minority interests		**7,816**	8,447
		119,811	101,557
Final proposed dividends	7	**52,401**	—
Earnings per share (RMB)	8	**0.17**	0.14

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

	Note	**2007**	2006
		RMB'000	*RMB'000*
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**493,820**	484,460
Construction in progress		**9,659**	10,022
Land use rights		**48,805**	11,279
Interests in associates		**1,030,034**	573,139
Deferred tax assets		**5,204**	—
		1,587,522	1,078,900
Current assets			
Inventories		**305,991**	236,838
Bills receivable		**2,132**	31,775
Trade receivables	9	**101,342**	120,407
Other receivables, deposits and prepayments	10	**108,204**	614,532
Amounts due from fellow subsidiaries, associates and related companies		**48,508**	31,531
Pledged bank balances and deposits		**92,015**	44,776
Cash and cash equivalents		**391,684**	607,318
		1,049,876	1,687,177

	Note		
Current liabilities			
Bank borrowings		**711,335**	873,865
Trade payables	11	**162,123**	140,701
Other payables, customers' deposits and accrued charges		**172,477**	242,920
Amounts due to fellow subsidiaries, associates and related companies		**20,531**	4,113
Amount due to ultimate holding company		**11,402**	48,739
Current portion of obligations under finance leases		**10,534**	16,833
Taxation		**4,017**	783
		1,092,419	1,327,954
Net current (liabilities)/assets		**(42,543)**	359,223
Total assets less current liabilities		**1,544,979**	1,438,123
Non-current liabilities			
Obligations under finance leases		**(7,387)**	(18,158)
Net assets		**1,537,592**	1,419,965
Equity			
Share capital		**655,015**	655,015
Share premium and reserves		**835,666**	723,671
Attributable to equity holders of the Company		**1,490,681**	1,378,686
Minority interests		**46,911**	41,279
Total equity		**1,537,592**	1,419,965

1. Basis of preparation and significant accounting policies

(a) Statement of compliance and basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of property, and plant and equipment and financial instruments which are stated at fair values.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised HKFRSs that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7, *financial instruments: disclosures* and the amendment to HKAS 1, *presentation of financial statements: capital disclosures* has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	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
HK (IFRIC) - Int 13	Customer loyalty programmes	1 July 2008
HK (IFRIC) - Int 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

2. Turnover

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

3. Other revenue

	2007	2006
	RMB'000	*RMB'000*
Rental income	**5,877**	4,476
Technology license income	**4,642**	4,749
Bank and other interest income	**3,413**	4,296
Net exchange gains	**—**	417
Gain on disposal of an associate	**1,937**	—
Government subsidies	**3,038**	2,116
Compensation income *	**5,200**	—
Sundry income	**1,258**	2,218
	25,365	18,272

* During the year, the Group received a compensation income of RMB5.2 million from the government for having to evacuate its properties constructed on the land the government had taken over.

4. Finance costs

	2007	2006
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**56,072**	54,139
Finance lease interest	**2,382**	1,403
Bank and other charges	**2,142**	1,257
	60,596	56,799

5. Profit before income tax

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging/(crediting):		
Allowance for inventories	**11,441**	—
Carrying amount of inventories sold	**821,679**	678,052
Amount of inventories recognised as expenses	**833,120**	678,052
Bad debt written off	**—**	2,122
Depreciation of property, plant and equipment	**43,095**	33,416
Amortisation of land use rights	**762**	66
Amortisation of intangible assets	**—**	4,103
Impairment loss on loans and receivables (included in administrative expenses)	**45,919**	42,644
Staff costs (excluding directors' and supervisors'emoluments)		
Salaries, bonus and allowances	**57,285**	59,940
Retirement benefit scheme contributions	**8,945**	3,079
Auditors' remuneration	**2,258**	1,670
Operating lease rentals in respect of land and buildings	**8,975**	6,143
Exchange loss	**3,913**	—
(Gain)/loss on disposal of property, plant and equipment	**(2,788)**	1,562

6. Income tax expenses

(a) Income tax expense in the consolidated income statement represent:

	2007	2006
	RMB'000	*RMB'000*
Current tax		
— PRC enterprise income tax	**7,869**	4,160
Deferred tax	**(5,204)**	—
	2,665	4,160

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 enterprise income tax at the rate of 15% 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%.

7. Dividends

The Board recommend the payment of a final cash dividend of RMB0.08 per share in respect of the year ended 31 December 2007. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. This dividend is subject to approval at the Annual General Meeting. The total estimated dividend to be paid is RMB52,401,200.

8. Earnings per share

The calculation of the earnings per share is based on profit attributable to equity holders of the Company of RMB111,995,000 (2006 : profit of RMB93,110,000) and 655,015,000 shares in issue throughout 2007 and 2006.

No diluted earnings per share for the year ended 31 December 2007 and 2006 has been presented as there were no dilutive potential ordinary shares in issue as at 31 December 2007 and 2006.

9. Trade receivables

	2007	2006
	RMB'000	*RMB'000*
Trade receivables	**114,339**	140,070
Less: Allowance for doubtful debts	**(12,997)**	(19,663)
	101,342	120,407

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

(b) the following is an aged analysis of trade receivables net of allowances for bad and doubtful debts at 31 December 2007:

	2007	2006
	RMB'000	*RMB'000*
Within 1 year	**96,033**	111,154
1 to 2 years	**4,038**	4,408
2 to 3 years	**913**	2,859
Over 3 years	**358**	1,986
	101,342	120,407

(c) The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2007	2006
	RMB'000	*RMB'000*
At beginning of year	**19,663**	21,548
Impairment loss recognised/(reversed)	**4,417**	(1,885)
Uncollectible amounts written off	**(11,083)**	—
	12,997	19,663

The provision is made for estimated irrecoverable amounts from the sale of goods and determined by reference to past default experience.

10. Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments was a balance of RMB411,800,000, net of provision, due from Jiangsu International Trust Investment Co. Ltd. ("International Trust Investment"). In 2007, International Trust Investment transferred a 25% equity interest in Hua Fei Color Display Systems Co. Ltd. it held to the Company with a net asset value of RMB392,893,000 for settlement of the debts. As a result, an impairment loss of RMB18,907,000 is recognised in profit or loss for the year.

11. Trade payables

The following is an aged analysis of trade payables at 31 December 2007:

	2007	2006
	RMB'000	*RMB'000*
Within 1 year	**129,080**	106,878
1 to 2 years	**12,653**	13,083
2 to 3 years	**11,450**	3,112
Over 3 years	**8,940**	17,628
	162,123	140,701

3.2 Prepared in accordance with Accounting Standards for Business Enterprises in the PRC

3.2.1 Principal accounting data *Unit: RMB'000*

	2007	2006 After the adjustment	2006 Before the adjustment	Percentage increase/ (decrease) over last year (%)	2005
Operating income	**1,009,935.66**	911,166.86	911,166.86	10.84	876,453.61
Total profit	**103,505.90**	97,114.72	97,114.72	6.58	83,778.04
Net profit attributable to shareholders of the Company	**89,092.71**	86,609.32	89,147.45	2.87	76,311.42
Net profit attributable to shareholders of the Company after extraordinary items	**91,684.59**	87,110.59	37,128.48	5.25	56,130.28
Net cash flow from operating activities	**(32,080.70)**	249,248.59	249,248.59	(112.87)	182,251.27

	2007	As of the end of 2006 After the adjustment	As of the end of 2006 Before the adjustment	Percentage increase/ (decrease) over last year (%)	As of the end of 2005
Total assets	**2,589,635.75**	2,771,548.19	2,766,941.88	(6.56)	2,645,851.30
Shareholders' equity	**1,437,690.04**	1,348,281.31	1,347,078.48	6.63	1,261,476.00

3.2.2 Key financial indicators

Unit: RMB

	2007	2006 After the adjustment	2006 Before the adjustment	Percentage increase/ (decrease) over last year (%)	2005
Basic earnings per share	**0.14**	0.13	0.14	2.87	0.12
Diluted earnings per share	**0.14**	0.13	0.14	2.87	0.12
Basic earnings per share after extraordinary items	**0.14**	0.13	0.06	5.25	0.09
Fully diluted rate of return on net assets (%)	**6.20**	6.42	6.62	decreased by 0.22 percentage points	6.05
Weighted average rate of return on net assets (%)	**6.40**	6.64	6.84	decreased by 0.24 percentage points	6.26
Fully diluted rate of return on net assets after extraordinary items (%)	**6.38**	6.46	2.76	decreased by 0.08 percentage points	4.45
Weighted average rate of return on net assets after extraordinary items (%)	**6.58**	6.68	2.85	decreased by 0.10 percentage points	4.61
Net cash flow from operating activities per share	**(0.05)**	0.38	0.38	(112.87)	0.28

	As of the end of 2007	As of the end of 2006		Percentage increase/ (decrease) over last year (%)	As of the end of 2005
		After the adjustment	Before the adjustment		
Net assets attributable to shareholders of the Company per share	**2.19**	2.06	2.06	6.63	1.93

Note: The stock capital of the Company remains unchanged for the year 2007.

3.2.3 *Profit/loss from non-operating items*

Unit: RMB'000

Items of extraordinary profit and loss	**Amount**
Gains and losses from disposal of non-current assets	1,985.50
Government grants (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to gains and losses for the period	8,237.72
Debt restructuring profit and loss	(18,905.46)
Other non-operating net income and expenses other than the aforesaid items	(1,811.33)
Other extraordinary items recognized by China Securities Regulatory Commission	9,122.56
Impact on enterprise income tax	(893.15)
Net extraordinary items attributable to minority shareholders	(327.72)
Total	(2,591.88)

3.3 Difference between accounts prepared under the domestic and the overseas accounting standards

3.3.1 Differences between the net profit of the Company prepared under the domestic and overseas accounting standards

Impact on the consolidated income statement

Description of differences	**2007**	2006
Profit attributable to shareholders per financial statements prepared under PRC accounting standards	**89,092**	89,147
Amortization of revaluation surplus on trademarks	**—**	(225)
Amortization of unrecognized intangible assets	**200**	200
Deferred tax assets recognised as prior year adjustment	**4,562**	—
Share of results of associates	**18,515**	5,232
Minority interests	**(629)**	(2,136)
Others	**255**	892
Profit attributable to shareholders per financial statements prepared under accounting principles generally accepted in Hong Kong	**111,995**	93,110

3.3.2 Differences between the net asset of the Company prepared under the domestic and overseas accounting standards

Impact on the consolidated balance sheet

Description of difference	**2007**	2006
Equity attributable to equity holders of the Company per financial statements prepared under PRC accounting standards	**1,437,690**	1,347,078
Add: Goodwill	**3,045**	3,090
Share of reserves of associates	**50,614**	32,098
Less: Minority interests	**(92)**	(2,850)
Unrecognized intangible assets	**(520)**	(720)
Others	**(56)**	(10)
Equity attributable to equity holders of the Company per financial statements prepared under Accounting principles generally accepted in Hong Kong	**1,490,681**	1,378,686

4. CHANGES IN SHARE CAPITAL AND INFORMATION OF SHAREHOLDERS

4.1.1 Changes in share capital

Unit: Shares

	Before the change		Increase/decrease from the change (+/-)					After the change	
	Amount	Percentage (%)	Newly Issued shares	Bonus shares	Transfer	Others	Sub-total	Amount	Percentage (%)
1. Restricted shares									
1. State-owned shares	334,715,000	51.10						334,715,000	51.10
2. Non-restricted shares									
1. Renminbi ordinary shares	78,300,000	11.95						78,300,000	11.95
2. Overseas listed foreign shares	242,000,000	36.95						242,000,000	36.95
3. Total number of shares	655,015,000	100						655,015,000	100

Note: During the Reporting Period, there is no change in the total number and structure of the Company's share and the Company did not repurchase, sell or redeem its listed securities.

4.1.2 Changes of Shares subject to trading moratorium

Name of Shareholder	Number of shares subject to trading moratorium as at the beginning of the year	Number of shares released from trading moratorium over the year	Increase in numbers of shares subject to trading moratorium over the year	Number of shares subject to trading moratorium as at the end of the year	Reason of trading moratorium	Date of release of trading moratorium
Panda Electronics Group Limited	334,715,000	0	0	334,715,000	Share Segregation Reform	11 September 2008
Total	334,715,000	0	0	334,715,000		

4.2 Shareholders

(For the year ended 31 December 2007)

Total number of 23,521 holders, of which 23,489 were holders of A Shares and 32 were holders of H Shares.

(A) Details of the top ten shareholders

Unit: Shares

Name of shareholders	Type of shareholders (state-owned or foreign shareholders)	Percentage (%)	Total number of shares held	Number of non-circulating shares held	Number of shares pledged or frozen
Panda Electronics Group Limited	State-owned shareholders	51.10	334,715,000	334,715,000	67,350,000 shares were pledged, 92,815,000 were judicial frozen, 100,000,000 were pledged and judicial frozen *(Note 1)*
HKCSS (Nominees) Limited	Foreign shareholders	36.84	241,275,899	0	Unknown
Wu Yunping 吳雲平	Public Shareholder	0.432	2,830,300	0	Unknown
Yu Songfeng 余松峰	Public Shareholder	0.213	1,393,600	0	Unknown
Zhang Huiqing 張惠清	Public Shareholder	0.181	1,184,470	0	Unknown
Zhang Yongsong 張永送	Public Shareholder	0.169	1,109,158	0	Unknown
Fang Jinlian 方金蓮	Public Shareholder	0.159	1,040,663	0	Unknown
Zhang Folian 張佛連	Public Shareholder	0.133	870,680	0	Unknown
Huang Li 黃莉	Public Shareholder	0.130	852,207	0	Unknown
Zeng Hong 曾鴻	Public Shareholder	0.111	724,145	0	Unknown

(B) Details of the top ten holders of shares not subject to trading moratorium

Name of shareholders	Number of shares held not subject to trading moratorium	Class of shares
HKCSS (Nominees) Limited	241,275,899	H *(Note 2)*
Wu Yunping 吳雲平	2,830,300	A
Yu Songfeng 余松峰	1,393,600	A
Zhang Huiqing 張惠清	1,184,470	A
Zhang Yongsong 張永送	1,109,158	A
Fang Jinlian 方金蓮	1,040,663	A
Zhang Folian 張佛連	870,686	A
Huang Li 黃莉	852,207	A
Zeng Hong 曾鴻	724,145	A
Chen Chaohui 陳朝暉	705,100	A

Description of the connected relationship or party acting in concern among the aforesaid shareholders	There is no connected relationship or party acting in concern between the state-owned shareholder and the top ten holders of shares of the Company not subject to trading moratorium. The Company is not aware of any connected relationship or party acting in concern between the state-owned shareholder and the top ten holders of shares of the Company not subject to trading moratorium.

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 the shares held by PEGL, 67,350,000 shares have been pledged, 92,815,000 shares have been judicially frozen, and 100,000,000 shares have been both pledged and judicially frozen.

(2) HKSCC (Nominees) Limited held 241,275,899 H Shares, representing 36.84% 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.

4.3 Information of the controlling shareholders and the ultimate controllers of the Company

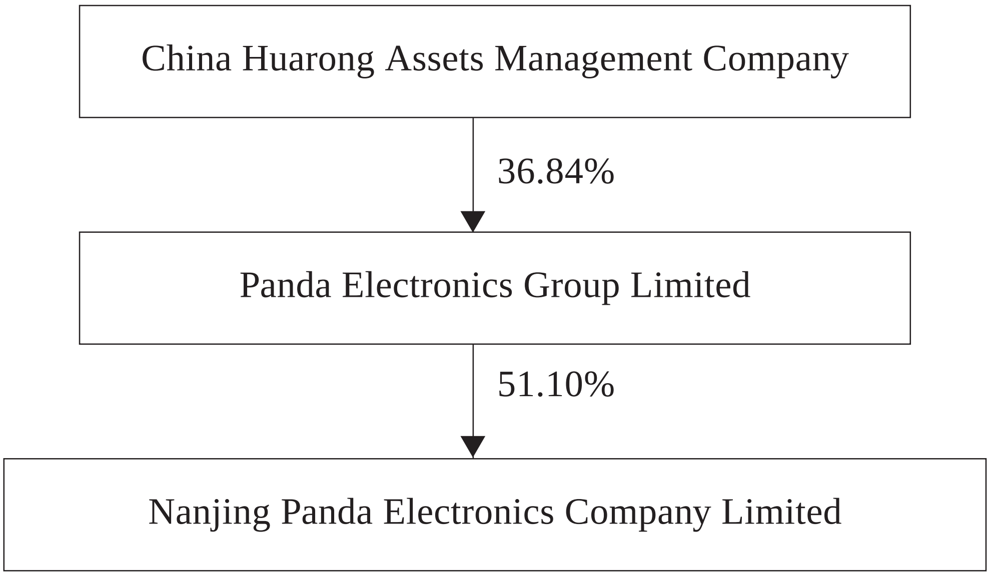
4.3.1 During the Reporting Period, there was no change in the controlling shareholder and the ultimate controller of the Company, which were still PEGL and 中國華融資產管理公司 (China Huarong Assets Management Company) respectively. Please refer to 7.9 in "Significant Events" as set out in this announcement for details of China Electronics Corporation ("CEC").

4.3.2 Details of the controlling shareholder and ultimate controller of the Company

1. PEGL, the controlling shareholder, held 334,715,000 shares, representing 51.10% of the issued share capital of the Company, which were circulating shares subject to trading moratorium. The predecessor of PEGL was established in 1936, which was converted into a limited company upon approval by the Nanjing Municipal Government on 5 July 1999 and subsequently completed the conversion of indebtedness into equity interests on 4 June 2003. The registered capital of PEGL is RMB 1,266,060,000 and its shareholders include 中國華融資產管理公司 (China Huarong Assets Management Company) ("China Huarong"), representing 36.84% of the share capital, 南京新港開發總公司 (Nanjing Xingang Development Corporation), representing 22.07% of the share capital, 江蘇省國信資產管理集團有限公司 (Jiangsu International Trust and Investment Corporation), representing 21.59% of the share capital, 中國建設銀行股份有限公司 (China Construction Bank Corporation), representing 8.21% of the share capital, 中國長城資產管理公司 (China Changcheng Assets Management Company), representing 6.31% of the share capital, 南京市國有資產經營(控股)有限公司 (Nanjing Municipal State-owned Assets Operation (Holding) Company), representing 4.32% of the share capital, and 中國信達資產管理公司 (China Cinda Assets Management Company), representing 0.66% of the share capital. The legal representative is Mr. Li Anjian. PEGL engages in the manufacture of wireless telecommunication equipment, broadcasting television equipment, electrical machinery and apparatus, electronic system projects, etc. Of the shares held by PEGL, 67,350,000 shares were pledged, 92,815,000 were judicial frozen, and 100,000,000 were both pledged and judicial frozen.

2. China Huarong, the ultimate controller of the Company, was established on 1 November 1999, with a registered capital of RMB10 billion. Its legal representative is Ding Zhongchi. Its principal operations are acquisition and operation of the non-performing assets disposed of by Industrial and Commercial Bank of China, demand for the payment of debt, re-allocation, transfer and sales of assets, debt restructure and corporate restructure, debt-equity swap and phase by phase shareholdings, securitization of assets and other operations approved by financial regulatory authorities. It holds 36.84% of shares in PEGL through debt-equity swap.

4.3.3 Controlling relationship between the Company and the ultimate controller is as follows:



5. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in number of shares of the Company held by Directors, Supervisors and Senior Management and their remunerations

Name	Position	Sex	Age	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Reason for the change	Total remuneration received from the Company during the reporting period *(RMB0'000)*	Whether received out of shareholders or other connected parties
Li Anjian	Chairman, General Manager	M	54	2007.06.12-2010.06.12	0	0	–	30	No
Xu Guofei	Non-executive Director, Vice Chairman	M	45	2007.06.12-2010.06.12	2,546	2,546	–	30	No
Liu Ailian	Non-executive Director	F	56	2007.06.12-2010.06.12	0	0	–	24	No
Zhu Lifeng	Non-executive Director	M	43	2007.06.12-2010.06.12	4,378	4,378	–	24	No
Shi Qiusheng	Non-executive Director	M	48	2007.06.12-2010.06.12	5,940	5,940	–	24	No
Lu Qing	Non-executive Director	M	42	2007.06.12-2010.06.12	0	0	–	24	No
Cai Lianglin	Independent Non-executive Director	M	66	2007.06.12-2010.06.12	0	0	–	0	No
Tang Yousong	Independent Non-executive Director	M	56	2007.06.12-2010.06.12	0	0	–	0	No

Ma Chung Lai, Lawrence	Independent Non-executive Director	M	53	2007.06.12-2010.06.12	0	0	—	7.28	No
Zhang Zhenping	Chairman of the Supervisory Committee	F	51	2007.06.12-2010.06.12	4,648	4,648	—	24	No
Zhong Youxiang	Supervisor	M	44	2007.06.12-2010.06.12	0	0	—	12	No
Tang Min	Supervisor	F	50	2007.06.12-2010.06.12	0	0	—	12	No
Wu Shiyuan	Independent Supervisor	M	74	2007.06.12-2010.06.12	0	0	—	0	No
Sun Suhua	Independent Supervisor	F	65	2007.06.12-2010.06.12	0	0	—	0	No
Wang Hongjin	Deputy General Manager	M	59	2007.06.12-2010.06.12	6,750	6,750	—	20	No
Wu Liulin	Deputy General Manager	M	48	2007.06.12-2010.06.12	0	0	—	20	No
Liu Kun	Deputy General Manager	M	41	2007.06.12-2010.06.12	0	0	—	20	No
Shen Jianlong	Chief Accountant, Secretary to the Board	M	44	2007.06.12-2010.06.12	0	0	—	20	No
Total					24,262	24,262		291.28	

6. REPORT OF THE BOARD OF DIRECTORS

6.1 Management discussion and analysis

6.1.1 Principal operating results of the Company during the Reporting Period

1. Principal operation of the Company

The principal operations of the Company are development, manufacturing and sales of satellite communication products, mobile telecommunication products, electromechanical products and electronic information products and electronic manufacturing business.

In 2007, the Company continued to implement internal reforms, enhance its industrial structure, insist on making scientific development and technological progress, strengthen corporate management, improve the internal control system, and further standardize its operation and prevent operating risks. It made great strides in principal businesses such as satellite communication, electromechanical, electronic manufacture and electronic information products. Meanwhile, the Company paid great attention to the development of joint ventures and strengthened its management services to facilitate and promote the fast development of sino-foreign joint ventures. ENC, BMC and other joint ventures continued to achieve sustainable development, to ensure stable income generated from the Company's investments.

Under the PRC accounting standards, revenue from operations of the Company for the year amounted to RMB1,009,935,700, representing an increase of 10.84% as compared with that of last year; profit of operations amounted to RMB115,937,200, representing an increase of 20.82% as compared with that of last year; net profit amounted to RMB89,092,700, representing an increase of 2.87% as compared with that of last year. Under the HKFRSs, revenue from principal operations of the Company for the year amounted to RMB994,000,000, representing an increase of 13% as compared with that of last year; profit of principal operations amounted to RMB146,000,000, representing an increase of 6.50% as compared with that of last year; net profit attributable to shareholders amounted to RMB112,000,000, representing an increase of 20% as compared with that of last year.

2. 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 ("Ericsson"), 26% by Ericsson (China) Company Limited ("Ericsson (China)"), 20% by China PTIC Information Corporation ("China PTIC"), and 2% by Hong Kong Yung Shing Enterprise Company ("Yung Shing"). ENC is mainly engaged in producing products, such as GSM, GPRS, CDMA mobile telecommunication system products and network communication systems. In 2007, ENC took initiative to explore markets and constantly enhanced the competitiveness of its products, becoming an internationally leading enterprise in R&D and manufacturing of mobile base stations. In particular, its TD-SCDMA was awarded a tender by China Mobile, which laid a solid foundation for the current and future development. It achieved sustainable and steady growth in its production and operation.

Under the PRC accounting standards for Business Enterprises, operating revenue of ENC for 2007 amounted to RMB15,733,000,000, representing an increase of 37.14% as compared to the corresponding period of last year; net profits amounted to RMB519,000,000, representing an increase of 32.40% as compared to the corresponding period of last year. Under HK GAAP, net profits of ENC for 2007 amounted to RMB574,000,000, representing an increase of 52.55% as compared to the corresponding period of last year.

(2) Beijing Sony Ericsson Mobile Communication Limited ("BMC")

BMC is held as to 20% by the Company, 51% by Sony Ericsson Mobile Communication Limited ("Sony Ericsson"), 27% by China PTIC and 2% by Yung Shing. BMC is mainly engaged in mobile terminals (mobile phones) under the brand of Sony Ericsson and is the principal production base of Sony Ericsson mobile.

In 2007, BMC continuously developed new products, constantly launched new mobile phones, enhanced its production capacity, and enlarged its production scale and market share. The sales of its mobile phones achieved a considerable increase, and it became the sole internal global mobile production center of Sony Ericsson.

Under the PRC accounting standards for Business Enterprises, operating revenue of BMC for 2007 amounted to RMB32,642,000,000, representing an increase of 20.80% as compared to the corresponding period of last year; net profits amounted to RMB748,000,000, representing a decrease of 28.97% as compared to the corresponding period of last year. Under HK GAAP, net profits of BMC for 2007 amounted to RMB763,000,000, representing an increase of 28.47% as compared to the corresponding period of last year.

(3) Hua Fei Colour Display Systems Company Limited ("Hua Fei Company")

Hua Fei Company is held as to 25% by the Company, 20% by Nanjing Hua Dong Electronics Information Technology Holdings Limited ("Hua Dong Electronics") and 55% by LG Philips Displays International Limited ("LP"). Its principal operations include development, design and manufacture of colour image tubes, colour monitor tubes and other colour display system products, their spare parts and materials and related electronic products, as well as sales of self-produced products.

The substitution effect of flat display made the market demand of CRT products shrink, intensified the market competition and led to a significant decrease in the selling price; adding a surge in the price of imported accessories and the increase of import cost; all these led to Hua Fei Company's significant losses of RMB364 million in 2007. Currently, Hua Fei Company is taking active measures to save cost, accelerate the development of new products, adjust product structure, aspiring to realize a turnaround from loss-making to profit-making.

Note: The 25% equity interest in Hua Fei Company held by the Company was transferred by Jiangsu International Trust & Investment Corporation Limited ("Jiangsu International Trust") to the Company in satisfaction of the Debt. (For details, please refer to the announcements published in China Securities Journal, Shanghai Securities News, Ta Kung Pao and The Standard in Hong Kong on 11 May 2006, 2 June 2007 and 4 June 2007.)

3. Major suppliers and consumers

As at 31 December 2007, the aggregate turnover of the five major customers of the Company accounted for 45.74% of the total turnover of the Company for the year, of which turnover from the largest customer accounted for 19.54% of turnover of the Company for the year.

The aggregate amount of purchase from the five major suppliers of the Company accounted for 26.74% of the total amount of purchase made by the Company for the year, of which the purchasing amount of the largest supplier accounted for 8.03% of the total amount of purchase made by the Company for the year.

During the year, none of the directors, supervisors and their associates or shareholders had interests in the share capital of the Company's suppliers or customers mentioned above.

4. Outlook of the Company's Future Development

(1) Development trend of the business which the Company is in and the market pattern which the Company is facing

After business structure adjustment and business layout optimization in recent years, the Company has primarily set its development direction towards satellite communication business, mobile communication business, electromechanical business, electronic information business and electronic manufacturing and gradually developed intelligent products and green products. Electronic industry develops rapidly and covers wide range of uses. New products emerge one after another while existing products fuse with each other. A network formed of different products suggests a bright development prospect. Satellite communication has already become a rising business and new economic growing point. The fusion of satellite communication with the Internet and land mobile network is taking satellite communication into a new realm. With the rapid development of mobile communication and increasing investment into telecommunication, growth of telecommunication business is secured. Construction of 3G network in the state will bring the industry to a periodic climax. Electromechanical integration is the global development trend of researching neotechnic products, as well as a development goal of technical strategy of mechanical industry in the country. In the next few years, electronic manufacturing will continue to grow at a recognizable speed, while electronic information industry around the world will step up its structural adjustment pace. Tremendous demand from rising needs for information products and network services provides room for further development.

As electronic and information products rely heavily on technology, the life-span of products is short, the market trend is constantly changing and competitions among products are fierce. Regarding the future development, the Company will face both opportunities and huge challenges.

(2) Development strategy of the Company

The overall development strategy of the Company is to focus on technological research and effectively employ its technological resources, so as to further achieve innovation of business and gradually develop the Company into a R&D and production base of satellite communication, and at the same time leap into a leading position in the country's electromechanical industry, information technology business and electronic manufacturing business with gradual development in intelligent products and green products, eventually forging the Company into a comprehensive and international technology enterprise.

(3) Risk factors

Due to the changes in the macro-economy, there are increased uncertainties and risks in the process of economic development. We should thoroughly conduct scientific analysis, enhance the ability of anticipation and spontaneity, and be alerted to opportunities and aware of risks.

First of all, as the Government has focused on and geared up the macro economic control, the Company faces strategic risks due to steadfast financial policies and tightened currency policies. Secondly, as the Company's core business is not imminent enough, the Company's competitiveness is comparatively weak as it is facing market risks in the increasingly fierce market. Thirdly, as technological factor is pivotal in electronic production, and old models fade out rapidly, the Company is facing technical risks.

(4) Development plans in the new year

2008 is a year key to the Company‘s development. The Company will fully implement the philosophy of scientific development, be open-minded and innovative in order to seize opportunities and deal with challenges. By enhancing the ability of sustainable growth, great development will be achieved in good time. The main tasks in the new year are as follows:

(i) to strengthen internal reforms, adjust enterprise structures, optimize allocation of resources and enhance fundamental management, so as to make the primary operations more prominent,

(ii) to enhance scientific research, further introduce technology and sharpen the enterprise’s competitive edges, so as to accelerate transformation of technological outcomes and replacement of old products,

(iii) to insist on market orientation, strengthen market construction, open up new sales channels and expand market share, so as to increase market competitiveness,

(iv) to take proper measures to train competent personnel, actively recruit talents and renovate the incentive system, so as to build up a team which accord with the Company’s development,

(v) to reinforce international collaboration, continue to focus on joint-venture corporate development, further reinforce management service of joint-venture corporations and facilitate continued rapid growth of joint-venture corporations, so as to increase income from investment.

(5) The target operating revenue of the Company in 2008 is RMB1,186,340,000. The operating expenses will be limited within RMB285,500,000. Among the costs operating cost will be RMB24,970,000, management cost RMB195,610,000 and financial cost RMB64,920,000.

6.1.2 Analysis on financial status of the Company

1. Financial status

The Company had a satisfactory financial status. Changes in major financial indices according to PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB'000

Item	**2007**	2006	Increase/ (decrease) *(%)*	Reasons
Bills Receivables	**2,131.70**	31,775.27	(93.29)	Realized bills upon maturity
Prepayments	**51,028.78**	76,380.47	(33.19)	Settlement of part of the material payment
Other Accounts Receivables	**57,076.37**	555,531.78	(89.73)	Repayment of liabilities due to the Company by 25% equity interest in Huafei Company from Jiangsu Information Corporation
Total current assets	**1,059,161.85**	1,716,035.11	(38.28)	Repayment of liabilities due to the Company by 25% equity interest in Huafei Company from Jiangsu Information Corporation
Long term equity investment	**976,375.10**	537,994.92	81.48	Repayment of liabilities due to the Company by 25% equity interest in Huafei Company from Jiangsu Information Corporation
Construction in progress	**10,257.70**	16,486.34	(37.78)	Transition of part of the construction in progress to fixed assets
Intangible assets	**44,556.46**	12,734.19	249.90	Receipt of land use rights
Long term deferred expenses	**4,098.98**	0.00		Renovations of buildings

Total non-current assets	**1,530,473.90**	1,055,513.09	45.00	Repayment of liabilities due to the Company by 25% equity interest in Huafei Company from Jiangsu Information Corporation
Bills payable	**54,029.93**	37,794.64	42.96	Bills issued not yet matured
Salaries payable	**8,601.85**	17,791.75	(51.65)	Welfare presented with actual payment instead of provision of 14% of total salary
Other payables	**94,320.92**	203,486.84	(53.65)	Return of guarantee fund
Long term payables	**17,921.10**	34,990.82	(48.78)	Payment of obligations of finance lease
Other long term liabilities	**600.00**	0.00		Receipt of government subsidies
Loss from asset impairment	**38,451.82**	17,447.57	120.38	In 2006, the liquidity of old inventories were improved, reversal of provisions of any fall in the price of inventories
Non-operating income	**9,496.29**	4,193.60	126.45	Government compensation for demolishing its subsidiaries's building
Non-operating expenses	**21,927.63**	3,040.49	621.19	Loss arising from repayment of liabilities due to the Company by 25% equity interest in Huafei Company from Jiangsu Information Corporation
Income tax expenses	**7,227.00**	3,035.63	138.07	Growth in profit of subsidiaries

2. Liquidity of capital

In accordance with HK financial reporting standards, the gearing ratio of the Company (the ratio between total liabilities and total assets), current liabilities, liquidity ratio and quick ratio were 41.70%, RMB43,000,000, 0.96 and 0.68 respectively as at 31 December 2007 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB483,000,000 as at 31 December 2007 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans amounted to RMB711,000,000 as at 31 December 2007 as shown in the consolidated financial statements of the Company and basic interest rate per annum was approximately 7.29% (the basic interest rate per annum was 7.47% since 26 December 2007). The Board believed that the Company can maintain or enlarge its existing bank facilities to meet various financial obligations.

6.1.3 Adjustment of relevant items in the balance sheet of the Company in early 2007 arising from adoption of new accounting standards for business enterprises

Since 1 January 2007, the Company implemented the new accounting standards for business enterprises. In compliance with the Accounting Standard for Business Enterprises No. 38 - First time adoption of Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and the regulations of relevant documents issued by CSRC, the Company conducted retrospective adjustment of relevant items in the balance sheet for early 2007 of the Company during the preparation of its year-end financial report of 2007. Specific details of the adjustment are set out as follows:

1. Long term equity investment

Pursuant to the relevant regulations of the new accounting standards, the Company adjusted the differences between the borrowers' long-term equity investment calculated by equity method as of 31 December 2006 and increased long term equity investment and retained earnings by RMB44,057.65 and RMB44,057.65 on 1 January 2007, out of which the equity interests attributable to the parent company increased by RMB30,840.36 and the equity interests attributable to minority shareholders rallied by RMB13,217.29.

2. Deferred income tax assets

The Company compared the carrying value and tax basis of assets and liabilities on 31 December 2006 in accordance with relevant regulations under the new accounting standards, whereby the Company confirmed the temporary differences of taxable and deductible items and calculated deferred income tax assets and deferred income tax liabilities. Certain subsidiaries which incurred loss were likely to fail to obtain sufficient taxable amount. There was little possibility of a reversal of the deductible temporary differences. Based on its principle of stability, the Company did not recognize that portion of deferred income tax assets. On 1 January 2007, deferred income tax assets and retained earnings increased by RMB4,562,258.03 and RMB4,562,258.03 respectively. Among which equity interests attributable to the parent company increased by RMB3,971,673.67 and equity interests attributable to minority shareholders rallied by RMB590,584.36 .

3. Capital accounts of salaries payable

The Company strictly complied with the regulations of the new accounting standards to analyze, reorganize and classify relevant capital accounts on 31 December 2006. Salaries payable was adjusted upward on 1 January 2007 by RMB6,207,957.30 and tax payable decreased by RMB583,178.34. Interest payable increased by RMB1,303,000.00 and other payables decreased by RMB6,927,778.96.

4. Capital Reserve

Pursuant to the new accounting standards, the Company should adjust the capital reserve in accordance with the differences between long term equity investment, initial investment cost as well as cash paid, transferred non-cash assets and the carrying value of liabilities undertaken arising from the merge of enterprises under common control, and correspondingly lowered the capital reserve and increased retained earnings by RMB511,756.61 and RMB511,756.61 respectively on 1 January 2007.

5. Surplus reserve

The Company complied with the new accounting standards to adjust relevant items of assets and liabilities, upon which the provisions were once again made for the surplus reserve in 2006. Surplus reserve recovered amounted to RMB1,505,327.40 and retained earnings increased by RMB1,505,327.40.

6. Minority interests

Upon the implementation of the new accounting standards, the Company undertook excessive loss from minority shareholders of its subsidiaries RMB2,811,234.89 and increased equity interests attributable to minority shareholders by RMB2,811,234.89 on 1 January 2007. Retained earnings attributable to the parent company decreased by RMB2,811,234.89.

6.2 Principal operating income and segmental information classified by business or product *(prepared under PRC Accounting Standards for Business Enterprises)*

Unit: RMB'000

Business or product	Principal operating income	Principal operating costs	Principal operating gross profit margin (%)	Revenues from principal operation increase(+)/ decrease (-) over last year	Principal operating costs increase (+)/decrease(-) over last year	Principal operating gross margin increase(+)/ decrease(-) over last year
Electronic manufacturing	306,753	254,132	17.15	28.46	32.15	(2.32)
Electronic information	278,775	239,002	14.27	43.89	38.18	3.54
Electromechanical	185,626	151,014	18.65	(16.04)	(16.78)	0.73
Satellite communications	197,370	150,256	23.87	9.92	14.42	(3.00)
Others	28,386	27,275	3.91	(45.27)	(58.77)	31.47
Total	996,910	821,679	17.58	12.64	10.41	1.66

6.3 Analysis of the geographical segments for the principal operations (prepared under the PRC Accounting Standards for Business Enterprises)

Unit: RMB '000

Geographical segment	Principal operating income	Principal operating income increase over last year *(%)*
Domestic	1,009,935.66	10.84
Overseas	0	0
Total	1,009,935.66	10.84

6.4 Investment of the Company

No funds were raised by the Company during the Reporting Period. For the year, the Company did not utilize any raised funds or continue any use thereof commencing from the previous periods. Neither alteration to projects nor material investment financed by other non-raised funds was made.

6.5 The Board's proposal on the profit appropriation or transfer and increase of capital reserve fund

After the approval by China Rightson Yuehua Certified Public Accountants Co., Ltd. and Shu Lun Pan Horwath Hong Kong CPA Limited under the PRC accounting standards for Business Enterprises, the Company realized a net profit after tax of RMB89,092,710 in 2007; under the accounting principle generally accepted in Hong Kong, the Company realized net profit of RMB111,995,000 in 2007. In accordance with Accounting Standards for Business Enterprises in PRC, the undistributed profit for the year ended 31 December 2007 of the Company was RMB107,737,880. The Board resolved that the proposed distribution plan would be as follows: the Company is to take the aggregate share capital of 665,015,000 shares as the basis of issuing a bonus of RMB0.08 per share (tax inclusive) to all shareholders.

The Company resolved that capitalization of capital reserve would not be made.

The aforesaid profit distribution proposal needs to be submitted for approval at the 2007 Annual General Meeting.

7. SIGNIFICANT EVENTS

7.1 During the Reporting Period, the Company did not have material litigation and arbitration.

7.2 During the Reporting Period, the Company did not have material asset acquisition and disposal and merger.

7.3 Connected Transactions:

7.3.1 The continuing connected transactions of the Company from 2007 to 2009 ("New continuing connected transactions") had obtained independent shareholders' approval in the Extraordinary General Meeting held on 3 April 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 12 December 2006 and 4 April 2007.)

7.3.2 The Company did not have other material connected transactions and asset reorganization during the Reporting Period. In 2007, the continuing connected transactions of the Company were entered into in the usual course of business on normal commercial terms which were required for normal business operation, and were audited by auditors. All connected transactions were confirmed by Independent Non-executive Directors. (The details of which are contained in the Auditor's Report.)

7.3.3 During the Reporting Period, the transaction amount of sales of products and the provision of service by the Company to connected parties was RMB67,787,600 amongst which the transaction amount of the connected transactions of sales of products and the provision of service to controlling shareholders and its subsidiaries was RMB40,409,600, while the transaction amount of purchase of products and the acceptance of service from connected parties was RMB28,273,000.

7.3.4 During the Reporting Period, the actual amount of the provision of fund by the Company to connected parties was RMB1,302,624,000 and the balance was RMB3,718,200, amongst which the actual amount of the provision of fund to controlling shareholders and its subsidiaries was RMB1,301,942,500 and the balance was nil, while the actual amount of the provision of fund by connected parties to the Company was RMB1,343,294,600 and the balance was RMB10,499,700.

7.3.5 As of 31 December 2007, there were no newly added non-operating funds supplied by the Company to the controlling shareholder PEGL and its subsidiaries.

7.4 During the Reporting Period, the Company had no entrustment, contracting and lease of assets from other companies nor any entrusted custody of funds.

7.5 Material guarantee

During the Reporting Period, the amount guaranteed by the Company for the subsidiaries amounted to RMB87,410,300, the details of which are as follows:

As of 31 December 2007, the Company granted guarantees to bank loan of RMB7,300,000 (originally: US$1 million) to its controlling subsidiaries Nanjing Panda Information Industry Co., Ltd.; bank loan of RMB5 million to Nanjing Panda Mechanical Machinery Co., Ltd.; bank loan of RMB17 million, obligations under finance leases amounted to RMB6,183,100 to Nanjing Panda Accurate Machinery Co., Ltd.; as well as bank loans and obligations under finance leases for Nanjing Panda Electronics Manufacturing Company Limited totaling RMB5 million and RMB13,235,800 respectively.

The said guarantees totalling RMB53,718,900, representing 3.74% of the Company's net asset, are provided to controlling subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees were below 70%.

The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to any controlling shareholder, ultimate controller or its connected parties.

7.6 Undertakings of shareholders in the Share Segregation Reform and their performance:

In the process of the Share Segregation Reform, PEGL, the controlling shareholder of the Company undertook to comply with the requirements of relevant laws, regulations and rules and observe statutory commitments and obligations. In addition, PEGL also made the following special undertakings:

(1) PEGL would not trade or transfer of all original non-circulating shares which it held within 24 months of obtaining listing status.

(2) PEGL undertook not to increase the appropriation of the non-operating capital of the Company from the date of the implementation of Share Segregation Reform Proposal, and to settle the appropriation of the non-operating capital of the Company by PEGL and its subsidiaries by the end of 2006 by means of cash repayment and using assets to discharge a debt.

(3) PEGL undertook to bear all the expenses arising from the Share Segregation Reform.

By the end of the Reporting Period, PEGL had strictly fulfilled all the above undertaking. Up to 31 December 2007, 334,715,000 restricted circulating shares held by PEGL had not been traded or transferred.

7.7 At the Annual General Meeting on 12 June 2007, the proposal for reappointment of Yuehua Certified Public Accountants Co., Ltd. and Horwath Hong Kong CPA Limited (now renamed as "Shu Lun Pan Horwath Hong Kong CPA Limited") respectively as the PRC and international auditors of the Company for 2007 was considered and approved.

At the Extraordinary General Meeting on 11 March 2008, the proposal for re-appointment of China Rightson Yuehua Certified Public Accountants Co., Ltd as the PRC auditor of the Company for 2007 was considered and approved.

7.8 The status of the Company, the board and its directors being subject to administrative penalty or public criticism by regulatory authorities during the Reporting Period:

Since the end of 2005, The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with reference to its requirements of information disclosure under the Listing Rules, has started the disciplinary procedures against the Company. The Listing Committee of the Stock Exchange convened a disciplinary hearing on 26 June 2007 and issued a press release on 9 August 2007 in respect of disciplinary actions 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 Stock Exchange for details.)

7.9 Other Significant Events

(1) Repayment of debt of RMB500 million and transfer of equity interests:

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.)

(2) 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.)

7.10 During the Reporting Period, the Company did not hold equities and securities issued by other listed companies and did not hold shares of unlisted financial enterprises.

7.11 Other Events

7.11.1 Tax Policies

The Company is registered in High and New Technology Development Zone in Nanjing which is approved by the State Council as a national high and new technology zone. The Company has been approved by the Jiangsu Provincial Technological Commission as a high and new technology enterprise, which is entitled to the preferential income tax treatment of 15% up to the present moment.

7.11.2 Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality (南京市城鎮職工基本醫療保險暫行規定) (the “Regulations”) and implemented a medical insurance scheme for its employees since 1 January 2001. Medical expenses of the existing and retired employees of the Company were charged to staff welfare benefits payable. Upon the implementation of new Regulations, the Company will pay the premiums for such medical insurance scheme which are equivalent to 8% of the total salaries of all of the existing employees of the Company and will grant appropriate amount of allowance in addition to the medical premiums for employees who have serious illness and fall within the medical scheme. The total allowance given in 2007 totalled less than RMB1,800,000. Save as the aforesaid premiums, the Company will not be responsible for other medical expenses payable. The 8% contribution to the medical insurance scheme and serious illness allowance are charged to staff welfare benefits payable, and the basis on which the staff welfare benefits payable are calculated remains unchanged, i.e., will still be based on 14% of the total salaries of all of the existing employees of the Company. Accordingly, this change in policy has no material effect on the consolidated income statement and consolidated balance sheet.

7.11.3 Corporate Governance

During the Reporting Period, the Company has adopted and endeavored to comply with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

(The relevant details, including but not limited to the remedial actions taken by the Company, will be set out in the section “Corporate Governance Report” in the 2007 Annual Report.)

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”)

During the Reporting Period, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules to regulate dealings in the Company’s securities by the Directors and Supervisors. Upon specific enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors have complied with the Model Code.

7.11.4 Audit Committee

The Company has set up an Audit Committee in compliance with the requirements of Rule 3.21 of the Listing Rules. The Audit Committee has reviewed the interim financial report for 2007 and the audited annual financial report 2007.

(Details are set out in section "Corporate Governance Report" in the 2007 Annual Report.)

8. REPORT OF SUPERVISORY COMMITTEE

During the Reporting Period, all the members of the Supervisory Committee of the Company have, in accordance with the provision of the of the Company Law, Securities Law, the Articles of Association of the Company, other state laws and rules of domestic and international securities regulatory bodies, based on the principles of acting in good faith, performed faithfully their duties prescribed in laws and regulations concerned and in the Articles of Association to aspire to protect the interests of the Company and its shareholders.

The Supervisory Committee is of the opinion that the operation of the Company is in accordance with the laws, the procedure of decision-making is legal. According to the requirement of China Securities and Regulatory Commission and Hong Kong Stock Exchange, the Company has established relevant international control system. None of the directors, management personnels were in breach of law, regulations and the Articles of Association or acted in an way that was detrimental to the interests of the Company.

The Supervisory Committee may regularly or irregularly examine the finance of the Company. The financial statements were audited by the international and domestic auditors who have submitted an unqualified audit report. The Supervisory Committee was of the opinion that the annual financial report of the Company truly reflected the financial conditions and operating results of the Company.

During the Reporting Period, the Company had not raised any fund for use, nor had it conducted any substantial acquisitions or disposed of any assets.

The continuing connected transactions of the Company from 2007 to 2009 obtained approval from independent shareholders. In the Reporting Period, the connected transactions were entered into in accordance with fair and reasonable principles and were confirmed by the Independent Directors of the Company.

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

9.1 Audit opinion

The financial report for the year of 2007 has been audited by China Rightson Yuehua Certified Public Accountants Company Limited who has prepared an unqualified auditors' report (Zhong Rui Yue Hua Shen Zi [2008] No. 10883).

9.2 Financial statement

Balance Sheet

2007

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

Assets	31 December 2007	31 December 2006
Current assets:		
Currency Funding	326,570,810.95	540,035,813.29
Trading financial assets	—	—
Bills receivable	—	30,098,000.00
Accounts receivable	49,241,785.93	61,746,509.94
Prepayments	11,663,438.53	43,743,400.62
Interest receivable	—	—
Dividends receivable	2,081,925.44	1,677,294.39
Other receivables	170,638,217.62	599,967,169.42
Stocks	151,880,667.77	130,338,506.15
Non-current assets due within one year	—	—
Other current assets	—	—
Total current assets	712,076,846.24	1,407,606,693.81
Non-current assets:		
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investments	1,140,268,172.50	698,566,146.60
Investment properties	—	—
Fixed assets	288,419,814.81	279,197,397.00
Construction in progress	8,227,280.23	14,096,558.60
Construction supplies	—	—
Clearance of fixed assets	—	—

Biological assets for production	—	—
Gas assets	—	—
Intangible assets	11,522,711.12	12,012,509.80
Development expenses	—	—
Goodwill	—	—
Deferred tax asset	—	—
Other non-current assets	—	—
Total non-current assets	1,448,437,978.66	1,003,872,612.00
Total assets	2,160,514,824.90	2,411,479,305.81
Current liabilities:		
Short term loans	623,000,000.00	806,000,000.00
Trading financial liabilities	—	—
Bills payable	30,000,000.00	20,000,000.00
Accounts payable	22,687,564.60	45,421,192.14
Advances from customers	4,864,497.42	4,786,379.41
Salaries payable	1,201,428.09	8,509,547.16
Taxes payable	34,576,451.40	46,926,373.41
Interest payable	1,306,732.50	1,303,000.00
Dividends payable	—	—
Other payables	54,878,443.93	141,343,567.19
Non-current liabilities due within one year	—	—
Other current liabilities	—	—
Total current liabilities	772,515,117.94	1,074,290,059.31

Non-current liabilities:		
Long term loans	—	—
Bonds payables	—	—
Long term payables	—	—
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	—	—
Total non-current liabilities	—	—
Total liabilities	772,515,117.94	1,074,290,059.31
Shareholders' equity:		
Share capital	655,015,000.00	655,015,000.00
Capital reserve	478,941,415.14	478,625,398.01
Less: treasury stock	—	—
Surplus reserve	194,728,117.46	189,678,673.13
Undistributed profits	59,315,174.36	13,870,175.36
Total shareholders' equity	1,387,999,706.96	1,337,189,246.50
Total liabilities and shareholders' equity	2,160,514,824.90	2,411,479,305.81

Consolidated Balance Sheet

2007

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

Assets	31 December 2007	31 December 2006
Current assets:		
Currency funding	483,699,275.19	652,094,029.71
Trading financial assets	—	—
Bills receivable	2,131,704.70	31,775,270.00
Accounts receivable	159,234,159.78	163,415,609.64
Prepayments	51,028,779.49	76,380,467.07
Interest receivable	—	—
Other receivables	57,076,371.78	555,531,779.05
Stocks	305,991,561.56	236,837,950.71
Non-current assets falling due within one year	—	—
Other current assets	—	—
Total current assets	1,059,161,852.50	1,716,035,106.18

Non-current assets:		
Available-for sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	976,375,099.99	537,994,917.66
Investment properties	—	—
Fixed assets	489,982,056.01	483,735,381.26
Construction in progress	10,257,698.23	16,486,338.80
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Gas assets	—	—
Intangible assets	44,556,461.90	12,734,190.07
Development assets	—	—
Goodwill	—	—
Long term deferred expenses	4,098,976.61	—
Deferred income tax assets	5,203,608.70	4,562,258.03
Other non-current assets	—	—
Total non-current assets	1,530,473,901.44	1,055,513,085.82
Total assets	2,589,635,753.94	2,771,548,192.00
Current liabilities		
Short term loans	657,304,600.00	836,070,200.00
Trading financial liabilities	—	—
Bills payable	54,029,931.78	37,794,637.80
Accounts payable	181,425,207.53	148,551,080.80
Advances from customers	49,445,588.77	53,792,028.89
Salaries payable	8,601,850.13	17,791,750.33
Taxes payable	40,170,918.76	47,642,148.66
Interest payable	1,306,732.50	1,303,000.00
Other payables	94,320,919.32	203,486,837.74
Non-current liabilities due within one year	—	—
Other current liabilities	—	—
Total liabilities	1,086,605,748.79	1,346,431,684.22

Non-current liabilities:		
Long term loans	—	—
Bonds payables	—	—
Long term payables	17,921,097.26	34,990,818.63
Specific payables	—	—
Accrued liabilities	—	—
Deferred income tax liabilities	—	—
Other non-current liabilities	600,000.00	—
Total non-current liabilities	18,521,097.26	34,990,818.63
Total liabilities	1,105,126,846.05	1,381,422,502.85
Total liabilities:	655,015,000.00	655,015,000.00
Share capital		
Capital reserve	480,209,034.37	479,893,017.24
Less: treasury stock	—	—
Surplus reserve	194,728,117.46	189,678,673.13
Undistributed profits	107,737,884.91	23,694,619.36
Discounted spread in foreign currency statement	—	—
Sub-total of equity attributable to shareholders of the parent company	1,437,690,036.74	1,348,281,309.73
Minority interests	46,818,871.15	41,844,379.42
Total shareholders' equity	1,484,508,907.89	1,390,125,689.15
Total liabilities and shareholders' equity	2,589,635,753.94	2,771,548,192.00

Profit statement

2007

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

Items		31 December 2007	31 December 2006
1. Operating income		252,127,077.59	254,660,069.74
Less:	Operating cost	198,368,735.39	193,146,465.17
	Business taxes and surcharge	528,868.24	499,388.33
	Selling expenses	2,435,077.38	1,470,339.17
	Administrative expenses	120,209,616.27	133,474,833.17
	Financial expenses	51,246,513.72	48,516,529.49
	Impairment loss on assets	42,185,486.48	32,630,486.96
Add:	Income from change in fair value	—	—
	Investment income (losses are represented by "-")	234,287,754.97	227,821,107.37
Include:	Investment income of associates and joint ventures	—	—
2. Operating Profit (losses are represented by "-")		71,440,535.08	72,743,134.82
Add:	Non-operating income	388,385.00	42,321.94
Less:	Non-operating expenses	21,334,476.75	2,140,029.29
Include:	Loss from the disposal of non-current assets	742,425,449.28	712,484,635.71
3. Total Profit (losses are presented by"-")		50,494,443.33	70,645,427.47
Less:	Income tax fees	—	—
4. Net profit (net losses are represented by"-")		50,494,443.33	70,645,427.47
5. Earnings per share:			
(1)	Basic earnings per share	—	—
(2)	Diluted earnings per share	—	—

Consolidated Profit and Loss Statement

2007

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

Items		2007	2006
1.	**Total operating income**	1,009,935,655.50	911,166,858.13
Include:	Operating income	1,009,935,655.50	911,166,858.13
2.	**Total operating cost**	1,124,510,135.77	1,040,765,986.85
Include:	Operating cost	835,578,728.39	755,992,060.70
	Business taxes and surcharge	5,378,267.58	5,150,452.40
	Selling expenses	18,282,260.22	17,904,483.05
	Administrative expenses	165,622,102.97	192,184,902.62
	Financial expenses	61,196,960.25	52,086,513.44
	Loss in assets impairment	38,451,816.36	17,447,574.64
Add:	Income from change in fair value (losses are represented by "-")	—	—
	Investment income (losses are represented by "-")	230,511,715.19	225,560,736.08
Include:	Investment income of associates and joint ventures	—	—
3.	**Operating profit (losses are represented by "-")**	115,937,234.92	95,961,607.36
Add:	Non-operating income	9,496,291.64	4,193,604.19
Less:	Non-operating expenses	21,927,628.07	3,040,487.78
Include:	Loss from the disposal of non-current assets		

4.	**Total Profit**		
	(losses are represented by "-")	103,505,898.49	97,114,723.77
	Less: Income tax	7,227,004.04	3,035,630.38
5.	**Net Profit**		
	(losses are represented by "-")	96,278,894.45	94,079,093.39
	Profit attributable to the equity shareholders of the Parent	89,092,709.88	86,609,319.67
	Minority interest	7,186,184.57	7,469,773.72
	Net profit of the combined party in enterprise combination under the same control realised before the combining date	—	—
6.	**Earnings per share:**		
	(1) Basic earnings per share	0.14	0.13
	(2) Diluted earnings per share	0.14	0.13

Cash flow statement

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

Items	2007	2006
1. Cash flows from operating activities		
Cash received from the sale of goods and services provided	348,162,243.79	259,744,558.11
Return of tax payment	—	—
Other cash received relating to operating activities	1,098,366,625.02	1,839,931,144.65
Sub-total of cash inflows from operating activities	1,446,528,868.81	2,099,675,702.76
Cash paid on purchase of goods and services	219,020,048.78	243,107,111.87
Cash paid to staff and paid on behalf of staff	82,724,208.22	77,831,419.41
Taxes paid	7,400,292.70	11,291,474.98
Cash paid relating to other operating activities	1,285,263,329.14	1,565,252,315.95
Sub-total of cash outflows from operating activities	1,594,407,878.84	1,897,482,322.21
Net cash flows from operating activities	-147,879,010.03	202,193,380.55

2.	**Cash flows from investment activities:**		
	Cash received from investment recovered	6,322,470.00	—
	Cash received from investment income	182,892,367.57	240,927,660.86
	Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	391,900.00	16,410.00
	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	189,606,737.57	240,944,070.86
	Cash paid on purchase of fixed assets, intangible assets and other long term assets	16,078,237.78	101,692,193.47
	Cash paid on investment	32,709,921.63	33,000,000.00
	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	48,788,159.41	134,692,193.47
	Net cash flows from investment activities	140,818,578.16	106,251,877.39
3.	**Cash flows from financing activities:**		
	Cash received from investment	—	—
	Cash received from borrowings	1,047,000,000.00	1,212,000,000.00
	Cash received from other financing activities	50,589,234.00	—
	Sub-total of cash inflows from financing activities	1,097,589,234.00	1,212,000,000.00
	Cash paid on repayment of debts	1,230,153,779.05	1,172,000,000.00
	Cash paid on distribution of dividends or profits, or interest repayment	52,257,314.49	52,474,538.23
	Cash paid on other financing activities	80,664,400.00	—
	Sub-total of cash and cash equivalents outflows from financing activities	1,363,075,493.54	1,224,474,538.23
	Net cash flows from financing activities	-265,486,259.54	-12,474,538.23

4.	**Effect on cash due to foreign currency exchange**	-64,676.93	—
5.	**Net increase in cash and cash equivalents**	-272,611,368.34	295,970,719.71
	Add: balance of cash and cash equivalents at the beginning of the year	518,982,179.29	223,011,459.58
6.	**Balance of cash and cash equivalents at the end of the year**	246,370,810.95	518,982,179.29

Consolidated Cash flow statement

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

Items		**2007**	**2006**
1.	**Cash flows from operating activities**		
	Cash received from the sale of goods and services provided	1,153,011,796.16	1,002,963,727.96
	Return of tax payment	5,062,502.65	6,776,191.33
	Other cash received relating to operating activities	1,332,368,675.89	1,843,336,190.86
	Sub-total of cash inflows from operating activities	2,490,442,974.70	2,853,076,110.15
	Cash paid on purchase of goods and services	833,250,717.55	855,905,189.87
	Cash paid to staff and paid on behalf of staff	167,558,882.10	157,448,656.40
	Taxes paid	52,998,273.44	55,968,455.86
	Cash paid relating to other operating activities	1,468,715,800.97	1,534,505,221.70
	Sub-total of cash outflows from operating activities	2,522,523,674.06	2,603,827,523.83
	Net cash flows from operating activities	-32,080,699.36	249,248,586.32

2. Cash flows from investment activities:

Cash received from investment recovered	6,322,470.00	—
Cash received from investment income	179,017,802.40	233,582,332.16
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	591,400.00	2,917,910.00
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	185,931,672.40	236,500,242.16
Cash paid on purchase of fixed assets, intangible assets and other long term assets	94,291,589.07	125,093,434.52
Cash paid for investment	—	14,124,400.00
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	94,291,589.07	139,217,834.52
Net cash flows from investment activities	91,640,083.33	97,282,407.64

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	1,092,305,000.00	1,245,570,200.00
Cash received from other financing activities	360,071,906.85	641,890,992.00
Sub-total of cash inflows from financing activities	1,452,376,906.85	1,887,461,192.00
Cash paid on repayment of debts	1,271,462,479.05	1,204,570,200.00
Cash paid on distribution of dividends or profits, or interest repayment	58,106,856.53	58,563,756.39
Among: bonus and profit paid to minority shareholders by subsidiaries	2,054,697.80	975,443.09
Cash paid on other financing activities	408,628,060.51	666,347,073.63
Sub-total of cash and cash equivalents outflows from financing activities	1,738,197,396.09	1,929,481,030.02
Net cash flows from financing activities	-285,820,489.24	-42,019,838.02
4. Effect on cash and cash equivalents due to foreign currency exchange	-234,632.26	298,095.23
5. Net increase in cash and cash equivalents	-226,495,737.53	304,809,251.17
Add: balance of cash and cash equivalents at the beginning of the year	607,318,095.22	302,508,844.05
6. Balance of cash and cash equivalents at the end of the year	380,822,357.69	607,318,095.22

Statement of Change of Shareholders' equity

(2007)

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

Items	2007 Share capital	2007 Capital reserve stock	2007 Less: treasury	2007 Surplus reserve	2007 Undistributed profits	2007 Total shareholders' equity	2006 Share capital	2006 Capital reserve	2006 Less: treasury stock	2006 Surplus reserve	2006 Undistributed profits	2006 Total shareholders' equity
1. Balance of last year	655,015,000.00	480,404,773.85	—	191,184,000.53	27,830,687.05	1,354,434,461.43	655,015,000.00	480,208,784.04	—	188,137,542.53	-58,297,023.58	1,265,064,302.99
Add: change in accounting policies	—	-1,779,375.84	—	-1,505,327.40	-13,960,511.69	-17,245,214.93	—	-1,594,186.03	—	—	3,062,902.07	1,468,716.04
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—	—
2. Balance at the beginning of this year	655,015,000.00	478,625,398.01	—	189,678,673.13	13,870,175.36	1,337,189,246.50	655,015,000.00	478,614,598.01	—	188,137,542.53	-55,234,121.51	1,266,533,019.03
3. Change of this year (a decrease is represented by "-")	—	316,017.13	—	5,049,444.33	45,444,999.00	50,810,460.46	—	10,800.00	—	1,541,130.60	69,104,296.87	70,656,227.47
(1) Net profit	—	—	—	—	50,494,443.33	50,494,443.33	—	—	—	—	70,645,427.47	70,645,427.47
(2) Profit and loss directly accounted for in shareholders' equity	—	316,017.13	—	—	—	316,017.13	—	10,800.00	—	—	—	10,800.00
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	—	316,017.13	—	—	—	316,017.13	—	—	—	—	—	—
3. Items accounted to shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	10,800.00	—	—	—	10,800.00
Subtotal of item (1) and (2) above	—	316,017.13	—	—	50,494,443.33	50,810,460.46	—	10,800.00	—	—	70,645,427.47	70,656,227.47
(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	—	—	—	-5,049,444.33	5,049,444.33	—	—	—	—	-1,541,130.60	1,541,130.60	—
1. Transfer from surplus reserves	—	—	—	-5,049,444.33	5,049,444.33	—	—	—	—	-1,541,130.60	1,541,130.60	—
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	478,941,415.14	—	194,728,117.46	59,315,174.36	1,387,999,706.96	655,015,000.00	478,625,398.01	—	189,678,673.13	13,870,175.36	1,337,189,246.50

Consolidated Statement of Change of Shareholders' equity

(2007)

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

	2007								2006							
	Shareholders' equity attributable to the Parent								Shareholders' equity attributable to the Parent							
Items	Share capital	Capital reserve	Less: treasury stock	Surplus reserve	Undistributed profits	Other	Minority interest	Total shareholders' equity	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	27,418,123.14	-6,943,417.57	—	1,347,078,479.95	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	—	-511,756.61	—	-1,505,327.40	-3,723,503.78	6,943,417.57	41,844,379.42	43,047,209.20	—	-511,756.61	—	—	-2,690,697.16	6,440,994.67	40,620,727.73	43,859,268.63
Correction of prior errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Balance at the beginning of this yea	655,015,000.00	479,893,017.24	—	189,678,673.13	23,694,619.36	—	41,844,379.42	1,390,125,689.15	655,015,000.00	479,697,027.43	—	188,137,542.53	-61,373,569.71	—	40,620,727.73	1,302,096,727.98
3. Change of this year (a decrease is represented by "-")	—	316,017.13	—	5,049,444.33	84,043,265.55	—	4,974,491.73	94,383,218.74	—	195,989.81	—	1,541,130.60	85,068,189.07	—	1,223,651.69	88,028,961.17
(1) Net profit	—	—	—	—	89,092,709.88	—	7,186,184.57	96,278,894.45	—	—	—	—	86,609,319.67	—	7,469,773.72	94,079,093.39
(2) Profit and loss directly accounted for in shareholders' equity	—	316,017.13	—	—	—	—	—	316,017.13	—	195,989.81	—	—	—	—	—	195,989.81
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	—	316,017.13	—	—	—	—	—	316,017.13	—	195,989.81	—	—	—	—	—	195,989.81
3. Translate form Chinese not complete	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal of item (1) and (2) above	—	316,017.13	—	—	89,092,709.88	—	7,186,184.57	96,594,911.58	—	195,989.81	—	—	86,609,319.67	—	7,469,773.72	94,275,083.20
(3) Contribution by shareholders and reduction of capital	—	—	—	—	—	—	-59,386.24	-59,386.24	—	—	—	—	—	—	-5,192,266.64	-5,192,266.64
1. Capital contribution by shareholders	—	—	—	—	—	—	-59,386.24	-59,386.24	—	—	—	—	—	—	—	—
2. Amount settled by shares for amount accounted for in shareholders' equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	-5,192,266.64	-5,192,266.64
(4) Profit distribution	—	—	—	-5,049,444.33	5,049,444.33	—	2,152,306.60	2,152,306.60	—	—	—	-1,541,130.60	1,541,130.60	—	1,053,855.39	1,053,855.39
1. Transfer from surplus reserves	—	—	—	-5,049,444.33	5,049,444.33	—	—	—	—	—	—	-1,541,130.60	1,541,130.60	—	—	—
2. Distribution to shareholders	—	—	—	—	—	—	2,152,306.60	2,152,306.60	—	—	—	—	—	—	1,053,855.39	1,053,855.39
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	480,209,034.37	—	194,728,117.46	107,737,884.91	—	46,818,871.15	1,484,508,907.89	655,015,000.00	479,893,017.24	—	189,678,673.13	23,694,619.36	—	41,844,379.42	1,390,125,689.15

9.3 As compared with the latest annual report, changes in accounting policy, accounting estimation and auditing methods are as follows:

Since 1 January 2007, the Company has adopted the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance on 15 February 2006, pursuant to which amendments were made to the accounting policies of the Company and retrospective adjustments have been made in the comparative financial statements in accordance with the requirements of "Notification of Implementation of Information Disclosure on Financial Accounting relating to New Accounting Standards"《關於做好與新會計準則相關財務會計信息披露的通知》(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 China Securities Regulatory Commission.

9.4 The Reporting Period has no material audit deviation adjustment.

9.5 As compared with the latest annual report, changes in the scope of consolidation in the financial reports for the reporting period are as follows:

Save that since 2007 the scope of consolidation has included Galant Limited (佳恒興業有限公司), no changes have occurred.

As at the date of this announcement, the board of the Company 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. Ma Chung Lai, Lawrence, Mr. Tang Yousong.

By Order of the Board
Nanjing Panda Electronics Company Limited
Li Anjian
Chairman

Nanjing, the People's Republic of China
27 March 2008