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)

2009 PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

1 IMPORTANT NOTICE

1.1 The board of directors (the "Board"), the Directors, the Supervisory Committee, the Supervisors and senior management staff of Nanjing Panda Electronics Company Limited (the "Company") 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 text of the Company's 2009 Annual Report which provides the information for the year ended 31 December 2009 as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Investors who are interested in obtaining further details should read the 2009 Annual Report.

1.2 Director Mr. Shi Qiusheng was engaged in other duties and unable to attend the Board meeting held on 29 March 2010. He appointed Mr. Xu Guofei to attend the meeting and to exercise the voting right on his behalf.

1.3 Both UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd. have prepared the unqualified auditors' reports.

1.4 None of the controlling shareholders or its related parties has misappropriated the Company's funds for non-operating purposes.

1.5 The Company did not provide external guarantees in violation of any stipulated decision-making procedures.

1.6 Mr. Xu Guofei, vice-chairman of the Company, Mr. Shen Jianlong, chief accountant, and Ms. Wu Yuzhen, director of the finance department, have declared the truthfulness and completeness of the financial statements contained in the 2009 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 ("Shanghai Stock Exchange")	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")
Registered address	Level 1-2, Block 05, North Wing, Nanjing High and New Technology Development Zone, Nanjing, the People's Republic of China	
Office address	301 Zhongshan 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 to the Board	Securities Affairs Representative
Name	Shen Jianlong	Chen Yebao
Correspondence address	301 Zhongshan Road East, Nanjing, the People's Republic of China	301 Zhongshan Road East, Nanjing, the People's Republic of China
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3 ACCOUNTING DATA AND FINANCIAL INDICATORS HIGHLIGHTS

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Note	**2009** **RMB'000**	2008 *RMB'000* *(Restated)*
Turnover	3	**1,267,295**	1,264,233
Cost of sales	6	**(1,175,868)**	(1,157,645)
Gross profit		**91,427**	106,588
Other income	4	**49,587**	39,061
Other gains/(losses) — net		**90**	(3,143)
Distribution costs	6	**(22,538)**	(34,684)
Administrative expenses	6	**(201,184)**	(215,237)

Operating loss		**(82,618)**	(107,415)
Finance income	5	**3,287**	10,376
Finance costs	5	**(36,544)**	(54,456)
Finance costs — net	5	**(33,257)**	(44,080)
Share of profits of associates		**147,273**	201,284
Profit before income tax		**31,398**	49,789
Income tax expense	7	**(12,374)**	(6,568)
Profit for the year		**19,024**	43,221
Other comprehensive income			
Profit on disposal of a subsidiary under common control	13	**—**	12,031
Total comprehensive income for the year		**19,024**	55,252
Profit attributable to:			
Equity holders of the Company		**15,526**	40,564
Minority interest		**3,498**	2,657
		19,024	43,221

Total comprehensive income attributable to:			
Equity holders of the Company		**15,526**	52,595
Minority interest		**3,498**	2,657
		19,024	55,252
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in Renminbi per share)*	8	**0.024**	0.062
Dividends	9	**—**	—

Consolidated Balance Sheet

As at 31 December 2009

	Note	**2009** *RMB'000*	2008 *RMB'000* *(Restated)*	2007 *RMB'000* *(Restated)*
ASSETS				
Non-current assets				
Land use rights		**24,062**	61,850	61,681
Property, plant and equipment		**553,013**	536,002	505,671
Investments in associates		**778,712**	937,585	1,030,034
Deferred income tax assets		**2,782**	6,928	6,967
		1,358,569	1,542,365	1,604,353

Current assets				
Inventories		**157,430**	345,835	343,228
Trade and bills receivables	10	**215,484**	237,518	125,134
Deposits, prepayments and other receivables		**84,343**	74,043	157,940
Amounts due from fellow subsidiaries, associates and related companies		**19,090**	36,529	64,275
Amount due from the ultimate holding company		**91**	21	—
Restricted bank deposits		**61,579**	33,259	92,015
Cash and cash equivalents		**560,354**	416,445	448,998
		1,098,371	1,143,650	1,231,590
Total assets		**2,456,940**	2,686,015	2,835,943
Equity				
Capital and reserves attributable to equity holders of the Company				
Ordinary shares		**655,015**	655,015	655,015
Share premium and reserves		**809,990**	919,611	932,536
		1,465,005	1,574,626	1,587,551
Minority interest		**11,785**	13,358	60,227
Total equity		**1,476,790**	1,587,984	1,647,778

Consolidated Balance Sheet

As at 31 December 2009

	Note	**2009**	2008	2007
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	*(Restated)*
LIABILITIES				
Non-current liabilities				
Long term borrowing		**4,000**	—	—
Finance lease obligations — non-current portion		**1,279**	3,546	7,387
		5,279	3,546	7,387
Current liabilities				
Borrowings		**399,454**	643,047	711,335
Trade payables	11	**270,216**	210,977	214,119
Accruals and other payables		**177,763**	175,624	206,988
Amounts due to fellow subsidiaries, associates and related companies		**11,612**	18,381	21,667
Amount due to the ultimate holding company		**86,705**	11,722	15,817
Finance lease obligations — current portion		**2,215**	9,167	10,534
Tax payables		**26,906**	25,567	318
		974,871	1,094,485	1,180,778
Total liabilities		**980,150**	1,098,031	1,188,165
Total equity and liabilities		**2,456,940**	2,686,015	2,835,943
Net current assets		**123,500**	49,165	50,812
Total assets less current liabilities		**1,482,069**	1,591,530	1,655,165

1. Business combinations

In November 2008, the Company acquired 99% and 1% equity interests in Nanjing Panda Technology Industrial Co., Ltd. ("Panda Technology Industrial") from the controlling shareholder, Panda Electronics Group Company Limited ("PEGL") and Nanjing Panda Electronics Import and Export Company (the "Import & Export Company") respectively. PEGL is also the holding company of the Import & Export Company. The acquisition has been approved in the second provisional general meeting of shareholders held on 31 December 2008 and also been approved by Jiangsu Provincial State-owned Information Asset Management Group Company Limited on 9 February 2009.

Besides, the Company on 10 July 2009 entered into an equity transfer agreement with PEGL in relation to the acquisition of 70% equity interests in Nanjing Panda Electromechanical Instruments Technology Co., Ltd.

As PEGL is the holding company of the Group, these acquisitions are regarded as business combinations under common control.

As a result of the common control business combinations, restatements have been made for the comparative figures of these consolidated financial statements.

The financial information of the Group has been accounted for as a combination of business under common control by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period are presented in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party. Accordingly, the financial information of the Group has been prepared as if the acquired companies have always been the subsidiaries of the Group.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31 December 2008 and the Group's results for the years then ended are set out in note 12.

2. Basis of preparation

The consolidated financial statements of Nanjing Panda Electronics Company Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 1 January 2009.

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 32 and HKAS 1 (Amendment)	Puttable financial instruments and obligation arising on liquidation
HKFRS 2 (Amendment)	Share-based payment
HKFRS 7 (Amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments

HKAS 1 (Revised) "Presentation of financial statements"

The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income and the consolidated financial statements have been prepared under these revised disclosure requirements.

HKFRS 8, "Operating segments"

HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-makers have been identified as the executive directors that make strategic decisions.

Following the adoption of HKFRS 8, the presentation of the segment results and segment assets has changed.

HKFRS 7, "Financial instruments: disclosures"

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group has made relevant disclosures in the consolidated financial statements for the year ended 31 December 2009.

HKAS 23 (revised), "Borrowing costs"

This revised standard requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The change in this accounting policy had no material impact on the Group's results as the Group does not have any qualifying asset as at 31 December 2009.

The adoption of other new and revised standards and amendments to existing standards have no significant impact on the results and financial position of the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 January 2009 but are not currently relevant to the Group.

HKAS 32 (Amendment)	Financial instruments: Presentation
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2009 and have not been early adopted.

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 3 (Revised)	Business combinations
HKAS 27 (Amendment)	Consolidated and separate financial statements
HKAS 28 (Amendment)	Investments in associates
HKAS 31 (Amendment)	Interests in joint ventures
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 18	Transfer of assets from customers

HKICPA's improvements to HKFRS published in May 2009:

HKFRS 2 (Amendment)	Share-based payment
HKFRS 5 (Amendment)	Non-current assets held for ales and discounted operations
HKFRS 8 (Amendment)	Operating segments
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Statement of cash flows
HKAS 17 (Amendment)	Leases
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

3. Turnover

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

4. Other income

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Rental income	**7,359**	6,169
Property management fee income	**280**	1,300
Profit on disposal of land use rights	**8,953**	—
Writing off of trade and other payables	**5,620**	4,580
Government subsidies	**23,971**	21,157
Profit on disposal of a subsidiary *(Note 13)*	**—**	1,444
Sundry income	**3,404**	4,411
	49,587	39,061

5. Finance income and costs

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Interest expense:		
— Bank and other borrowings wholly repayable within five years	**(34,397)**	(52,939)
— Finance lease interest	**(239)**	(1,517)
— Others	**(1,908)**	—
Finance costs	**(36,544)**	(54,456)
Finance income		
— Interest income on short-term deposits	**3,287**	10,376
Net finance costs	**(33,257)**	(44,080)

6. Expenses by nature

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Changes in inventories of finished goods and work in progress	**138,195**	37,210
Raw materials and consumables used	**580,445**	661,588
Loss/(profit) on disposal of property, plant and equipment	**1,096**	(843)
Depreciation of property, plant and equipment	**44,516**	40,747
Amortisation of land use rights	**1,194**	1,390
Impairment loss recognised/(reversed) on		
— Trade receivables	**(5,013)**	7,519
— Other receivables	**2,182**	(13,963)
— Amounts due from related companies	**2,311**	6,576
— Inventories	**12,743**	41,625
Impairment loss on property, plant and equipment	**8,218**	2,031
Research and development expenses	**15,862**	16,770
Staff costs (including directors' and supervisors' emoluments)		
— Salaries, bonuses and allowances	**171,114**	207,835
— Retirement benefit scheme contributions	**18,244**	27,118
Auditor's remuneration	**2,020**	2,022
Operating lease rentals in respect of land and buildings	**4,219**	15,016
Others	**402,244**	354,925
Total cost of sales, distribution costs and administrative expenses	**1,399,590**	1,407,566

7. Income tax expense

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Current tax		
— PRC enterprise income tax	**8,228**	7,906
Deferred tax		
— attributable to the origination and reversal of temporary differences	**4,292**	(1,252)
— resulting from a change in tax rate	**(146)**	(86)
	4,146	(1,338)
	12,374	6,568

(b) The taxation charge for the year can be reconciled to the accounting profit as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**31,398**	49,789
Tax calculated at the statutory PRC tax rate of 25% (2008: 25%)	**7,849**	12,447
Exemption/reduction of income tax under preferential tax treatment	**(6,811)**	(6,762)
Tax effect of:		
Share of results of associates	**(21,886)**	(31,735)
Income not subject to tax	**(90)**	(2,476)
Expenses not deductible for tax purposes	**7,812**	32,144
Tax losses for which no deferred income tax was recognised, net	**22,214**	5,819
Effect of change in tax rate	**(146)**	(86)
Utilisation of previously unrecognised tax losses	**(238)**	(1,446)
Recognition of deferred income tax assets previously unrecognised	**—**	(916)
Deferred taxation recognised in previous years reversed	**3,588**	—
Others	**82**	(421)
Tax charge for the year	**12,374**	6,568

8. Earnings per share

The calculation of the earnings per share is based on profit attributable to equity holders of the Company of RMB 15,526,000 (2008: RMB40,564.000) and 655,015,000 shares in issue throughout 2009 and 2008.

No diluted earnings per share for the years ended 31 December 2009 and 2008 has been presented as there were no dilutive potential ordinary shares in issue as at 31 December 2009 and 2008.

9. Dividends

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: RMBNil).

10. Trade and bills receivables

	2009 ***RMB'000***	2008 *RMB'000* *(Restated)*
Trade receivables	**225,836**	247,716
Bills receivables	**8,370**	15,692
Less: Provision for impairment	**(18,722)**	(25,890)
	215,484	237,518

(a) The carrying amounts of the trade and bills receivables approximate to their fair values.

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

(c) The following is the ageing analysis of trade and bills receivables net of provision for impairment as at 31 December 2009 and 2008:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**182,720**	231,908
1 to 2 years	**32,010**	5,042
2 to 3 years	**686**	356
Over 3 years	**68**	212
	215,484	237,518

(d) Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Up to 3 months	**6,459**	6,210
Over 3 months	**34,756**	3,289
	41,215	9,499

(e) The movements in the provision for impairment during the year, were as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
At beginning of the year	**25,890**	18,599
Impairment loss (reversed)/recognised	**(5,013)**	7,519
Uncollectible amounts written off	**(2,155)**	(228)
At end of the year	**18,722**	25,890

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

(f) The carrying amounts of trade and bills receivables were denominated in the following currencies:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
RMB	**203,427**	230,482
USD	**27,702**	32,926
Euro dollar	**3,077**	—
	234,206	263,408

11. Trade payables

The following is an ageing analysis of trade payables as at 31 December 2009:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**229,714**	172,826
1 to 2 years	**21,152**	17,389
2 to 3 years	**3,543**	2,436
Over 3 years	**15,807**	18,326
	270,216	210,977

The carrying amounts of trade payables approximate to their fair values and they were denominated in the following currencies:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
RMB	**264,464**	208,453
USD	**5,752**	2,524
	270,216	210,977

12 Business combinations under common control

(i) On 5 November 2008, the Company entered into an equity transfer agreement with Panda Electronics Group Company Limited ("PEGL") and Nanjing Panda Electronics Import and Export Company (the "Import & Export Company") in relation to the acquisition of equity interests in Nanjing Panda Technology Industrial Co., Ltd ("Panda Technology Industrial").

Pursuant to the agreement, the Company agreed to acquire 99% and 1% equity interests in Panda Technology Industrial from PEGL and the Import & Export Company respectively at an aggregate consideration of RMB121,000,000.

On 9 February 2009, Jiansu Provincial State-owned Information Asset Management Group Company Limited approved the acquisition and required that the aggregate consideration should not be less than the fair value of Panda Technology Industrial according to the valuation report. In accordance with the valuation report of Panda Technology Industrial, the valuation amount of Panda Technology Industrial as at 30 June 2008 was RMB 121,989,200. As a result, the Company has signed the supplementary equity transfer agreement subsequently with PEGL and the Import & Export Company in which the Company agreed to pay RMB 120,769,300 and RMB 1,219,900 for acquisition of the equity interests from PEGL and the Import & Export Company in Panda Technology Industrial respectively. The consideration has been paid up in April 2009.

The Group considered 30 April 2009 as the acquisition date of Panda Technolgy Industrial, which the Group had obtained the ultimate control.

The acquisition has been approved by the independent shareholders in the second provisional general meeting of shareholders held on 31 December 2008.

The assets and liabilities of Panda Technology Industrial as at 30 April 2009, the date of acquisition are as follows:

	Date of acquisition 30 April 2009 *RMB'000*
Land use rights	**12,496**
Property, plant and equipment	**66**
Deferred income tax assets	**715**
Trade and bills receivables	**10,092**
Deposits, prepayment and other receivables	**56,805**
Cash and cash equivalents	**8,499**
Trade payables	**(1,654)**
Accruals and other payables	**(8,249)**
Net assets	**78,770**

Such acquisition is regarded as a business acquisition under common control. The assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merger party on the merger date.

(ii) The Company on July 2009 entered into an equity transfer agreement with PEGL in relation to the acquisition of 70% equity interests in Nanjing Panda Electromechanical Instruments Technology Co., Ltd. ("NPEIT") for an aggregate consideration of RMB2,643,700.

Jiangsu Provincial State-owned Information Asset Management Group Company Limited approved the acquisition and required that the aggregate consideration should not be less than the fair value of NPEIT.

The Group considered 31 July 2009 as the acquisition date of NPEIT, which the Group had obtained the ultimate control.

The assets and liabilities of NPEIT as at 31 July 2009 are as follows:

	Date of acquisition 31 July 2009 *RMB'000*
Property, plant and equipment	1,271
Deferred income tax assets	263
Trade and bills receivables	18,373
Deposits, prepayment and other receivables	2,616
Cash and cash equivalents	6,104
Inventories	2,766
Trade payables	(19,896)
Accruals and other payables	(4,911)
Net assets	6,586

Such acquisition is regarded as a business acquisition under common control. The assets and liabilities acquired by the Company in the merger of enterprises shall be measured at book value of the merger party on the merger date.

(iii) Statements of adjustments for common control combinations of the transferred subsidiaries on the consolidated balance sheets at 31 December 2009 and 2008 and the Group's result for the years then ended are as follows:

	As previously Reported *RMB'000*	**Transferred Subsidiaries** *RMB'000*	**Adjustments** *RMB'000*	**As restated** *RMB'000*
Year ended 31 December 2008				
Turnover	1,120,391	166,100	(22,258)	1,264,233
Profit before income tax	44,224	5,250	315	49,789
Income tax	(5,996)	(572)	—	(6,568)
Profit for the year	38,228	4,678	315	43,221

	As previously reported	Transferred Subsidiaries	Adjustments	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008				
ASSETS				
Non-current assets	1,527,409	14,956	—	1,542,365
Current assets	1,047,145	103,308	(6,803)	1,143,650
Total assets	2,574,554	118,264	(6,803)	2,686,015
EQUITY				
Capital and reserves				
Share capital	655,015	81,000	(81,000)	655,015
Reserves	838,287	1,226	80,098	919,611
Minority interests	12,141	—	1,217	13,358
Total equity	1,505,443	82,226	315	1,587,984
LIABILITIES				
Non-current liabilities	3,546	—	—	3,546
Current liabilities	1,065,565	36,038	(7,118)	1,094,485
Total liabilities	1,069,111	36,038	(7,118)	1,098,031
Total equity and liabilities	2,574,554	118,264	(6,803)	2,686,015

	The Group Before Transferred Subsidiaries *RMB'000*	Transferred Subsidiaries *RMB'000*	Adjustments *RMB'000*	Year ended 31 December 2009 *RMB'000*
Year ended 31 December 2009				
Turnover	1,206,812	78,217	(17,734)	1,267,295
Profit before income tax	21,497	10,127	(226)	31,398
Income tax	(8,327)	(4,047)	—	(12,374)
Profit for the year	13,170	6,080	(226)	19,024

	The Group Before Transferred Subsidiaries	Transferred Subsidiaries	Adjustments	At 31 December 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009				
ASSETS				
Non-current assets	1,344,838	13,731	—	1,358,569
Current assets	1,065,716	101,064	(68,409)	1,098,371
Total assets	2,410,554	114,795	(68,409)	2,456,940
EQUITY				
Capital and reserves				
Share capital	655,015	81,000	(81,000)	655,015
Reserves	726,578	5,027	78,385	809,990
Minority interests	9,396	—	2,389	11,785
Total equity	1,390,989	86,027	(226)	1,476,790
LIABILITIES				
Non-current liabilities	5,279	—	—	5,279
Current liabilities	1,014,286	28,768	(68,183)	974,871
Total liabilities	1,019,565	28,768	(68,183)	980,150
Total equity and liabilities	2,410,554	114,795	(68,409)	2,456,940

Notes:

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

13. Disposal of equity interests in subsidiaries

On 30 April 2008, Panda Technology Industrial disposed its equity interests in its two subsidiaries to its controlling shareholder, PEGL, including the 100% equity interest in Nanjing Panda Huaxin Technology Industrial Co. Ltd. ("Nanjing Panda Huaxin") and 74.51% equity interest in Nanjing Yinquan Communications Technology Co. Ltd. ("Nanjing Yinquan"), which resulted in profits on disposal of RMB13,475,000. As disclosed in note 12, the Group acquired Panda Technology Industrial on 30 April 2009 and such acquisition is regarded as a business combination under common control. These consolidated financial statements has been prepared as if Panda Technology Industrial has always been the subsidiary of the Group and restatements have been made for the comparative figures on the financial statements. As a result, the above profits derived from disposal of subsidiaries by Panda Technology Industrial would be included in the Group's consolidated financial statements as if such disposal was conducted by the Group. As the equity interests of the aforesaid subsidiaries were disposed to the party under common control, the profits resulted will be recognized in accordance with the accounting policies of the Group. The Group has recognized the profit on disposal of Nanjing Panda Huaxin and Nanjing Yinquan of RMB12,031,000 and RMB1,444,000 respectively in capital reserve and consolidated statement of comprehensive income for the year ended 31 December 2008..

The net cash inflow arising from the disposal of subsidiaries for the Group amounted to RMB11,217,000.

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

3.2.1 Principal accounting data

Unit: RMB'000

	2009	2008 After the adjustment	2008 Before the adjustment	Percentage increase/ (decrease) over last year *(%)*
Operating income	**1,284,864.42**	1,279,703.37	1,131,037.17	0.40
Total profit	**31,398.25**	50,364.91	44,799.43	(37.66)
Net profit attributable to shareholders of the Company	**15,525.67**	41,139.03	37,201.26	(62.26)
Net profit attributable to shareholders of the Company after extraordinary items	**(21,271.22)**	17,929.68	17,929.68	(218.64)
Net cash flow from operating activities	**247,497.97**	(110,628.67)	(140,967.52)	323.72

	As of the end of 2009	As of the end of 2008 After the adjustment	As of the end of 2008 Before the adjustment	Percentage increase/ (decrease) over last year *(%)*
Total assets	**2,456,940.25**	2,686,014.80	2,574,554.12	(8.53)
Shareholders' equity	**1,465,004.52**	1,574,625.36	1,493,301.42	(6.96)

3.2.2 Key financial indicators

Unit: RMB

	2009	2008 After the adjustment	2008 Before adjustment	Percentage increase/ (decrease) over last year *(%)*
Basic earnings per share	**0.02**	0.06	0.06	**(62.26)**
Diluted earnings per share	**0.02**	0.06	0.06	**(62.26)**
Basic earnings per share after extraordinary items	**(0.03)**	0.03	0.03	**(218.64)**
Fully diluted rate of return on net assets *(%)*	**1.06**	2.61	2.49	**Decreased by 1.55 percentage points**
Weighted average rate of return on net assets *(%)*	**1.04**	2.60	2.48	**Decreased by 1.56 percentage points**
Fully diluted rate of return on net assets after extraordinary items *(%)*	**(1.45)**	1.14	1.20	**Decreased by 2.59 percentage points**
Weighted average rate of return on net assets after extraordinary items *(%)*	**(1.44)**	1.21	1.20	**Decreased by 2.65 percentage points**
Net cash flow from operating activities per share	**0.38**	(0.17)	(0.22)	**323.72**

	As of the end of 2009	As of the end of 2008 After the adjustment	Before adjustment	Percentage increase/ (decrease) over last year *(%)*
Net assets attributable to shareholders of the Company per share	**2.24**	2.40	2.28	(6.96)

Note: The total share capital of the Company remains unchanged in 2009.

3.2.3 Items of extraordinary profit and loss

Unit: RMB'000

Items	**Amount**
Gains and losses from disposal of non-current assets	7,860.08
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	23,220.25
Debt restructuring profit and loss	5,521.17
Net profits and losses of the current period of subsidiaries arising from mergers of enterprises under common control from the beginning of period to the date of merger	3,998.00
Other non-operating net income and expenses other than the aforesaid items	(102.35)
Impact on enterprise income tax	(2,633.63)
Impact on minority shareholders (after tax)	(1,066.63)
Total	36,796.89

3.3 There was no difference between the net profit of the Company prepared under the domestic and overseas accounting standards.

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 Issue	Transfer	Others	Sub-total	Amount	Percentage (%)
I. Shares subject to trading moratorium									
1. State-owned legal person shares	269,213,500	41.10				(269,213,500)	(269,213,500)	0	0
II. Shares not subject to trading moratorium									
1. State-owned legal person shares	65,501,500	10				269,213,500	269,213,500	334,715,000	51.10
2. Domestic natural person shares	78,300,000	11.95						78,300,000	11.95
3. Overseas listed foreign shares	242,000,000	36.95						242,000,000	36.95
III. Total number of shares	655,015,000	100				0	0	655,015,000	100

Notes: (1) During the reporting period, there is no change in the total number of the Company's shares and the shareholding structure. The Company did not repurchase, sell or redeem its listed securities.

(2) During the reporting period, the Company, for the second time, arranged the listing of circulating shares subject to trading moratorium (limited to the shares involved in the share reform scheme) held by Panda Electronics Group Limited ("PEGL"). The number of circulating shares subject to trading moratorium listed amounted to 269,213,500 shares; and the listing of shares commenced on 25 September 2009.

(Details were set out in the relevant announcements published in China Securities Journal, Shanghai Securities News on 22 September 2009, and on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September 2009.)

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 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
PEGL	269,213,500	269,213,500	0	0	Share Segregation Reform	11 September 2009
Total	269,213,500	269,213,500	0	0		

4.2 Shareholders

(For the year ended 31 December 2009)

Of the total number of 22,170 shareholders, 22,118 were holders of A Shares and 52 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 of shareholding (%)	Total number of shares held	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
PEGL	State-owned shareholder	51.10	334,715,000	0	Pledged 167,350,000 *(Note 1)*
HKSCC (Nominees) Limited	Foreign Shareholder	36.74	240,663,599	0	Unknown *(Note 2)*
Huang Jitang 黃紀棠	Others	0.389	2,544,900	0	Unknown
Peng Hongwan 彭洪萬	Others	0.142	933,050	0	Unknown
Zheng Xinhua 鄭新華	Others	0.092	600,000	0	Unknown
Hunan Duntai Metallurgy Co., Ltd. (湖南敦泰冶金有限公司)	Others	0.073	480,000	0	Unknown
Guo Mingbo 郭明波	Others	0.063	410,300	0	Unknown
Industrial and Commercial Bank of China Limited – Guangfa Chinese Securities 500 Index Securities Investment Fund (LOF) (中國工商銀行股份有限公司－廣發中證500指數證券投資基金(LOF))	Others	0.052	340,800	0	Unknown
Wang Gang 王　剛	Others	0.052	339,000	0	Unknown
Quan Hui 全　慧	Others	0.051	335,670	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
PEGL	334,715,000	A
HKSCC (Nominees) Limited	240,663,599	H*(Note 2)*
Huang Jitang 黃紀棠	2,544,900	A
Peng Hongwan 彭洪萬	933,050	A
Zheng Xinhua 鄭新華	600,000	A
Hunan Duntai Metallurgy Co., Ltd. (湖南敦泰冶金有限公司)	480,000	A
Guo Mingbo 郭明波	410,300	A
Industrial and Commercial Bank of China Limited – Guangfa Chinese Securities 500 Index Securities Investment Fund(LOF) (中國工商銀行股份有限公司 — 廣發中證500指數證券投資基金(LOF))	340,800	A
Wang Gang 王　剛	339,000	A
Quan Hui 全　慧	335,670	A

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

Notes:

(1) Among the shareholders named above, PEGL held 334,715,000 shares of the Company on behalf of the state, representing 51.10% of the issued share capital of the Company, which were circulating shares not subject to trading moratorium. Among the shares held by PEGL, 192,815,000 shares which were originally judicially frozen were discharged on 12 November 2009, and 167,350,000 shares which were pledged during the reporting period were discharged on 28 January 2010. As at 29 March 2010, none of the shares of the Company held by PEGL are pledged or frozen.

(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News on 20 November 2009 and 29 January 2010, and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 19 November 2009 and 29 January 2010.)

(2) HKSCC (Nominees) Limited held 240,663,599 H Shares, representing 36.74% of the issued share capital of the Company, on behalf of a number of clients. The Company is not aware of any individual client holding more than 5% of the total share capital issued by the Company.

4.3 Information of the controlling shareholders and the de facto controllers of the Company

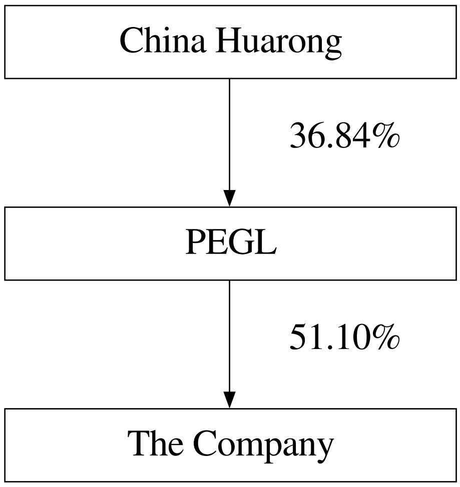
4.3.1 During the reporting period, there was no change in the controlling shareholder and the de facto controller of the Company, which were still PEGL and 中國華融資產管理公司 (China Huarong Assets Management Company) respectively.

4.3.2 Details of the controlling shareholder and de facto controller of the Company

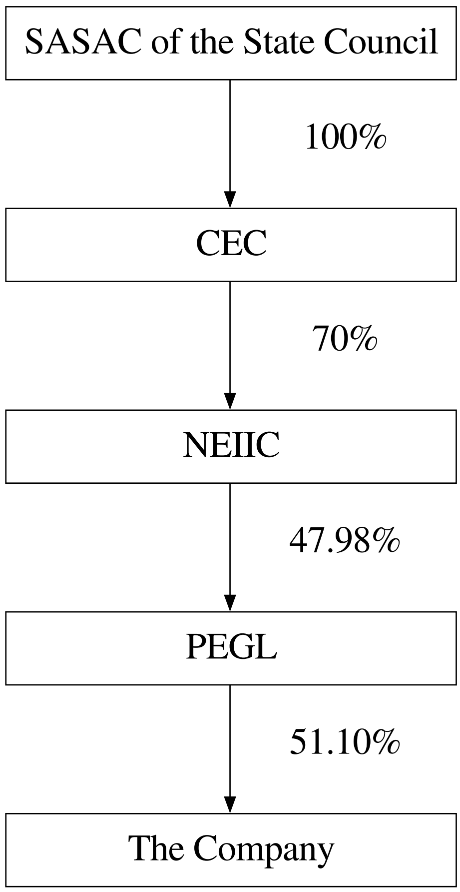
1. PEGL held 334,715,000 shares of the Company, representing 51.10% of the issued share capital of the Company, all of which were circulating shares not subject to trading moratorium. The predecessor of PEGL was established in 1936, which was converted into a limited company upon approval by the Nanjing 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 RMB1,266,060,000 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 Great Wall Asset Management Corporation), 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 was Mr. Xu Guofei. PEGL engages in the development, manufacture and sales of telecommunication equipment, computer and other electronic equipment, electrical machinery and apparatus, as well as selling and providing technical services for products developed and produced by the Company, etc.

2. China Huarong, the de facto 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 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 de facto controller is as follows:



Note: Nanjing Electronics Information Industrial Corporation（南京中電熊猫信息產業集團有限公司）(“NEIIC”) was jointly invested and established pursuant to the agreement entered into by Nanjing State-owned Assets Supervision and Administration Commission of the PRC (“Nanjing SASAC”), Jiangsu Provincial Guo Xin Asset Management Group Ltd（江蘇省國信資產管理集團有限公司）(“Guo Xin Group”) and China Electronics Corporation（中國電子信息產業集團有限公司）(“CEC”) (of which CEC accounts for 70%, Nanjing SASAC and Guo Xin Group account for 15% each). Pursuant to the agreement, NEIIC will hold 47.98% equity interest in PEGL, the controlling shareholder of the Company, and hence becoming the largest shareholder of PEGL. Pursuant to the approval of the change in the ultimate controller of the Company (Guo Zi Chan Quan [2009] No. 843)（《關於南京熊猫電子股份有限公司實際控制人變更有關問題的批文》（國資產權[2009]843號））issued by the State-owned Assets Supervision and Administration Commission of the State Council, the ultimate controller of the Company will be changed to CEC upon completion of the establishment of NEIIC. The completion of the agreement is still subject to the relevant approval procedures of the CSRC and other relevant regulatory authorities. By then, the diagram of property rights and controlling relationship between the Company and the ultimate controller shall become:



(For details, please refer to the relevant announcements published in China Securities Journal and Shanghai Securities News on 8 September 2009, and on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 7 September 2009.)

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	56	2007.06.12-2010.03.22	0	0	—	0		No
Xu Guofei	Non-executive Director, Vice Chairman	M	47	2007.06.12-2010.06.12	2,546	2,546	—	32		No
Zhu Lifeng	Non-executive Director	M	45	2007.06.12-2010.06.12	4,378	4,378	—	26		No
Shi Qiusheng	Non-executive Director	M	50	2007.06.12-2010.06.12	5,940	5,940	—	0		No
Lu Qing	Non-executive Director	M	44	2007.06.12-2010.06.12	0	0	—	26		No
Jason Hsuan	Non-executive Director	M	65	2009.12.23-2010.06.12	0	0	—	0	*Note 1*	No
Cai Lianglin	Independent Non-executive Director	M	68	2007.06.12-2010.06.12	0	0	—	0		No
Tang Yousong	Independent Non-executive Director	M	58	2007.06.12-2010.06.12	0	0	—	0		No
Ma Chung Lai, Lawrence	Independent Non-executive Director	M	55	2007.06.12-2010.06.12	0	0	—	7.04	*Note 2*	No
Zhang Zhengping	Chairman of the Supervisory Committee	F	53	2007.06.12-2010.06.12	4,648	4,648	—	28		No
Tang Min	Supervisor	F	50	2007.06.12-2010.06.12	0	0	—	12		No
Zhou Yuxin	Supervisor	M	45	2008.10.28-2010.06.12	0	0	—	10		No
Sun Suhua	Independent Supervisor	F	67	2007.06.12-2010.06.12	0	0	—	0		No
Wang Fei	Independent Supervisor	M	50	2008.12.31-2010.06.12	0	0	—	0		No
Liu Kun	Deputy General Manager	M	43	2007.06.12-2010.06.12	0	0	—	24		No
Shen Jianlong	Chief Accountant, Secretary to the Board	M	46	2007.06.12-2010.06.12	0	0	—	24		No
Xia Dechuan	Deputy General Manager	M	39	2008.06.30-2010.06.12	0	0	—	24		No
Total					17,512	17,512	—	213.04		

Notes: 1. The original Non-executive Director Ms. Liu Ailian already resigned on 14 December 2009; Mr. Jason Hsuan was appointed as a Non-executive Director on 23 December 2009.

2. Independent Non-executive Director Mr. Ma Chung Lai, Lawrence received a remuneration of HK$80,000 (based on the conversion of HK$1 = RMB0.8805 as at 31 December 2009).

6 REPORT OF THE BOARD

6.1 Management discussion and analysis

6.1.1 Principal operating results of the Company during the reporting period

1. Principal operations of the Company

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

In 2009, the Company continued to implement the philosophy of scientific development, deepen its internal reform, optimized its business structure, effectuated its industrial adjustment, consolidated internal resources, promoted innovations for its management system, strengthened comprehensive risk management, utilized its advantages on scientific research and development and insisted on sustainable development. The Company had, in general, maintained steady economic operations. While the Company had made great strides in principal businesses such as satellite communication, electronic equipment products, electronic intelligent products and electronic manufacturing, the Company had also pressed ahead to improve its management services to promote the healthy development of its joint ventures. Due to the subsequent impact of the global financial crisis in the year, the operating income and net profit of major sino-foreign joint ventures invested by the Company decreased, leading to a drop in the Company's investment income.

According to the PRC Accounting Standards for Business Enterprises, revenue from operations of the Company for the year amounted to RMB1,285,000,000, representing an increase of 0.4% as compared with that of last year; profit of operations for the year amounted to RMB(5,850,700), representing a decrease of 123.46% as compared with that of last year; net profit amounted to RMB15,525,700, representing a decrease of 62.26% as compared with that of last year. Under the Hong Kong Financial Reporting Standards ("HKFRS"), revenue from principal operations of the Company for the year amounted to RMB1,267,000,000, representing an increase of 0.24% as compared with that of last year; profit of principal operations amounted to RMB91,427,000, representing a decrease of 14.22% as compared with that of last year; net profit attributable to shareholders amounted to RMB15,525,700, representing a decrease of 61.72% 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 mobile telecommunication system products and network communication systems. ENC is one of the supply pivots for Ericsson in the world, and is the largest supplier of mobile telecommunication equipments in China. In 2009, ENC took initiative to explore markets and constantly enhanced the competitiveness of its products. However, operating income and net profit decreased due to the impact of the global financial crisis.

Under the International Accounting Standards, operating revenue of ENC for 2009 amounted to RMB13,603,000,000, representing a decrease of 18.15% as compared to the corresponding period of last year; net profits amounted to RMB481,000,000, representing a decrease of 19.87% as compared to 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 ("Sony Ericsson"), 27% by China Poterio Co., Ltd. and 2% by Hong Kong Yung Shing. BMC is mainly engaged in mobile terminals (mobile phones) under the brand of Sony Ericsson and is the principal production base and supply centre of Sony Ericsson mobiles.

In 2009, BMC actively coped with the global financial crisis by ongoing implementation of various effective measures such as cost control endeavors, enhancement of the overall gross profit margin of products and boost of profitability.

Under the International Accounting Standards, operating revenue of BMC for 2009 amounted to RMB22,842,000,000, representing a decrease of 19.36% as compared to the corresponding period of last year; net profits amounted to RMB428,000,000, representing a decrease of 7.76% as compared to the corresponding period of last year.

(3) Hua Fei Color 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 and 55% by LG. Philips Displays International Ltd.(樂金•飛利浦顯示件國際有限公司). 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.

Under the PRC Accounting Standards for Business Enterprises, sales income for 2009 amounted to RMB773,000,000, representing a decrease of 63.22% as compared to the corresponding period of last year. It continued to suffer a loss of RMB398,000,000 during the reporting period.

3. Major suppliers and consumers

As at 31 December 2009, the aggregate turnover of the five major customers of the Company accounted for 36.00% of the turnover of the Company for the year, of which turnover from the largest customer accounted for 15.86% of turnover of the Company for the year.

The aggregate amount of purchase from the five major suppliers of the Company accounted for 22.70% of the total amount of purchase made by the Company for the year, of which the purchasing amount of the largest supplier accounted for 6.47% 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, mobile communication, electronic equipment, electronic intelligence, electronic manufacturing and gradually developing intelligent and green products.

The electronics industry covers a wide range of uses. It develops very rapidly and new products are constantly emerging. The market has vast prospect and potential for development.

Satellite communication has already become an emerging business and a new economic growing point around the world. The fusion of satellite communication with the Internet and land mobile network is taking satellite communication into a new realm. It serves as a supplement and backup for the national communication backbone network, playing an important role in emergency situations such as natural disasters, by ensuring the smooth operation of the national communication network.

Mobile communication is gaining importance in the way society communicates. Following the issue of 3G licenses in China, a telecom industry chain composing of 3G network construction, terminal equipments manufacture, operation and information servicing is going to take shape. This will in turn increase domestic demand and stimulate the economy.

Electronic equipment products which integrate mechanics, electronics, optics, control tech, computer and information are the global development trend in the research of neotechnic products. Meanwhile, electromechanical integration is developing towards the directions of intelligence, vitalization, network-wise, miniaturization, environmental-friendly and systematic.

The development of electronic intelligent industry is evolving from traditional simulation toward digital, network and artificial intelligence. As electronic intelligent technology and products around the world continue to maintain a steady growth momentum, the expanding market size and rising needs for electronic intelligent products and network services provides room for further development in the electronic intelligent industry.

Electronic manufacturing has become a pillar of the national economy. Since the overall industry is still at its infancy stage, the business opportunities are huge. With increasing corporate governance ability and innovation ability, the industry will continue to leverage on new technology and new procedures to improve efficiency, strengthen competitiveness, and grow at a moderate speed in the next few years.

Since electronic and intelligent products are heavy technological based, the replacement speed of the products is fast. Together with constant market change and intense product competition, the Company is expected to gain excellent opportunities and face huge challenges at the same time.

(2) Development strategy of the Company

The overall development strategy of the Company is to effectively utilize its resources by technological research, so as to achieve further innovation in its business and gradually develop the Company into a R&D and production base of satellite communication. At the same time, the Company aims to enhance its competitiveness in the electronic equipment industry, electronic intelligence business and electronic manufacturing industry, forging the Company onwards to become a comprehensive and international high technology enterprise.

(3) Risk factors

Despite the Government's ongoing implementation of positive fiscal policy and moderately relaxed monetary policy which have provided a favorable environment for the Company, the Company still faces the ongoing impacts and potential risks due to the global financial crisis and risks from policy adjustment due to expected inflation. Secondly, the Company faces market risk in the increasing competitive market as the core business of the Company is not prominent enough and its market competitiveness is comparatively weak. Thirdly, as technology is pivotal in electronic production, the Company faces technological risks due to electronic products becoming old and fading out rapidly.

(4) Development plans in the forth-coming year

2010 is a crucial year for the Company in realizing the "Eleventh Five-year Plan" and preparing for the "Twelfth Five-year Plan". The Company will continue to deliver its best and leap forward as a team under strict corporate governance in a pragmatic manner with groundbreaking business approaches. The Company will fully implement the philosophy of scientific development, facilitate the reform and development of the Company, promote sustainable growth, ensure the harmony and stability of the Company and achieve great development in good time. The main tasks in the forth-coming year are as follows:

(i) to strengthen internal reforms, adjust enterprise structures, optimize allocation of resources and enhance fundamental management so as to upgrade the principal operations;

(ii) to insist on revitalizing the Company by science, strengthen the research and development ability of the Company and its development in core technology. Pay attention to the demand on advance technology and innovation, and focus on the development of products with intellectual property rights;

(iii) to insist on market orientation, speed up the establishment of marketing system, seize market opportunities brought by domestic demand stimulus, strengthen forward-looking researches on market demand and open up new sales channels, so as to increase market competitiveness;

(iv) to implement strategies by vigorously recruiting more talents and being committed to the concept of reliance on the people. Emphasize on the introduction of high-end research talents and management personnel, so as to meet the demand of talent for the Company's development and sharpen the Company's core competitive edges;

(v) to reinforce international collaboration, continue to focus on strategic cooperation with joint-ventures and partners, 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 2010 is RMB1,388,000,000. The operating expenses during the period will be limited to RMB296,000,000 or below, out of which sales cost to be at RMB30,000,000, management cost RMB228,000,000 and financial cost RMB38,000,000.

6.1.2 Conditions of investment of the Company

No funds were raised by the Company during the reporting period. The Company did not utilize any raised funds or continue any use thereof commencing from the previous periods. No material investment financed by other non-raised funds was made.

6.1.3 Analysis on financial status of the Company

1. Financial status

Changes in major financial indices according to the PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB'000

Item	2009	2008	Increase/ (decrease) *(%)*	Main Reasons
Cash and bank	621,932.60	449,704.34	38.30	Mainly attributable to the timely collection of payment for product sales and receipt of dividend distributed from associates by the end of the year
Bills receivable	8,370.30	15,692.23	(46.66)	Mainly attributable to the decrease in bills receivable in the year
Stocks	157,430.03	345,835.20	(54.48)	Mainly attributable to the completion of all orders for satellite communication products and delivery to customers
Construction in progress	85,591.34	23,099.50	270.53	Mainly attributable to the increase in number of Xingang projects
Intangible assets	26,109.13	64,617.15	(59.59)	Mainly attributable to the transfer of land use rights in the year
Long term deferred expenses	0.00	3,205.96	(100.00)	Mainly attributable to the transfer of land use rights and fitment expenses transferred-out (already amortized)
Deferred income tax assets	2,782.00	6,927.71	(59.84)	Mainly because no more income tax will be paid by certain subsidiaries in the foreseeable future

Short term loans	380,000.00	595,500.00	(36.19)	Mainly attributable to the repayment of a portion of short term bank loans in the year
Bills payable	19,454.10	47,547.29	(59.08)	Mainly attributable to the decrease in bills receivable in the year
Interest payable	469.36	1,155.40	(59.38)	Mainly attributable to the decrease in loans and interest rate in the period
Other payables	181,964.08	99,931.22	82.09	Mainly attributable to the capital flows received from shareholder, PEGL in the year
Long term payables	3,494.21	12,713.60	(72.52)	Attributable to the due payment of obligations of finance lease
Selling expenses	22,538.23	34,684.34	(35.02)	Mainly attributable to the comparatively higher selling expenses of the companies to which the subsidiaries acquired in the year belongs
Loss in assets impairment	20,440.53	36,506.83	(44.01)	Mainly attributable to the increase in provision for impairment of inventories provided for slow-moving stocks in the previous year
Operating profit	(5,850.72)	24,938.48	(123.46)	Mainly attributable to the decrease in investment income in the year
Non-operating income	39,311.07	29,538.55	33.08	Mainly attributable to the profit generated from disposal of land use rights by the Company in the year
Non-operating expenses	2,062.10	4,112.13	(49.85)	Mainly attributable to the significant donation expenses last year
Total Profit	31,398.25	50,364.91	(37.66)	Mainly attributable to the decrease in investment income in the year
Income tax	12,374.07	6,568.21	88.39	Mainly because no more income tax will be paid by certain subsidiaries in the foreseeable future

Minority interests	3,498.51	2,657.66	31.64	Mainly attributable to the increase in revenue of certain non wholly-owned subsidiaries as compared with last year
Net cash flows from operating activities	247,497.97	(110,628.67)	323.72	Mainly attributable to the collection of payment for product sales in the period and receivables at the beginning of the year
Net cash flows from investment activities	146,042.73	234,440.91	(31.71)	Mainly attributable to the acquisition of subsidiaries in the year
Net cash flows from financing activities	(249,619.83)	(144,371.49)	(72.90)	Mainly attributable to the repayment of bank loans in the year

2. Liquidity of capital

In accordance with the Hong Kong 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 39.89%, RMB975,000,000, 1.13 and 0.97 respectively as at 31 December 2009 as shown in the consolidated financial statements of the Company.

Cash: bank balances and cash amounted to RMB622,000,000 as at 31 December 2009 as shown in the consolidated financial statements of the Company.

Loans: short-term bank loans amounted to RMB399,000,000 as at 31 December 2009 as shown in the consolidated financial statements of the Company and basic interest rate per annum during the reporting period was 5.31%.

The Board believes that the Company can maintain or enlarge its existing bank facilities to meet various financial obligations.

6.2 Principal operating income and segmental information classified by businesses or products (prepared under the PRC Accounting Standards for Business Enterprises)

Unit: RMB'000

Business or product	Principal operating income	Principal operating costs	Principal operating profit margin (%)	Revenues from principal operation increase/ (decrease) from last year	Principal operating costs increase/ (decrease) from last year	Principal operating profit margin increase/ (decrease) from last year
Electronic manufacturing	366,934	336,872	8.19	(8.87)	(1.83)	(6.58)
Electronic equipment products	274,155	231,969	15.39	(19.00)	(22.73)	4.09
Electronic intelligent products	276,338	238,554	13.67	3.22	5.77	(2.08)
Satellite communications	203,733	195,060	4.26	55.76	62.66	(4.06)
Others	138,765	143,843	(3.66)	15.50	34.96	(14.95)
Total	1,259,925	1,146,298	9.02	0.02	4.65	(4.03)

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	1,284,864.42	0.4
Overseas	0	0
Total	1,284,864.42	0.4

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 being audited by Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited, the Company realized a net profit after tax of RMB15,525,670 in 2009 under the PRC Accounting Standards for Business Enterprises, and the Company realized net profit of RMB15,525,670 in 2009 under Hong Kong Financial Reporting Standards. In accordance with the PRC Accounting Standards for Business Enterprises, the undistributed profit of the Company for the year ended 31 December 2009 was RMB141,835,130. The Board resolved not to distribute profit for the year 2009 and would not capitalize capital reserve.

The aforesaid profit distribution proposal is subject to the shareholders' approval at the 2009 annual general meeting.

7. SIGNIFICANT EVENTS

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

7.2 Acquisition and disposal of assets

7.2.1 The Company signed an equity transfer agreement (the "Agreement") with PEGL, the controlling shareholder, on 10 July 2009, pursuant to which the Company agreed to acquire 70% equity interest in Nanjing Panda Electromechanical Instruments Technology Co., Ltd.(南京熊猫機電儀技術有限公司) ("PEIT") held by PEGL at a consideration of RMB2,643,700 (approximately HK$2,987,381), which shall be satisfied in cash by the Company to PEGL. Upon completion of the acquisition, the Company will hold 70% equity interest in PEIT.

The Board considered that in anticipation of a surging demand for domestic financial and taxation control products, and given that PEIT is currently expanding its core business in the manufacture and sale of financial and taxation control products, the acquisition of the equity interest of PEIT will satisfy the Company's development needs in that business, which is in the interests of the Company and the shareholders as a whole.

This transaction constitutes a connected transaction of the Company. The transaction price is determined by the parties with reference to the appraised value of all equity interests of PEIT, on normal commercial terms and on an arm's length basis. Pursuant to relevant regulations, this transaction is exempted from independent shareholders' approval requirement.

(For details, please refer to the relevant announcements published on China Securities Journal and Shanghai Securities News on 11 July 2009 and those published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company on 10 July 2009).

7.2.2 On 10 August 2009, Nanjing Huage Appliance and Plastic Industrial Company Limited ("Huage Appliance"), a controlling subsidiary of the Company, and Nanjing Panda Handa Technology Company Limited ("Handa Technology"), a subsidiary of PEGL, entered into a state-owned land use right transfer agreement, pursuant to which the Company agreed Huage Appliance's transfer of the state-owned land use rights of 70,231.9 square metres to Handa Technology at the consideration of RMB52,953,800 (approximately HK$59,837,794) payable in cash.

The Board is of the opinion that the transaction is beneficial to a centralised management and operation of the subsidiaries by the Company, helps reduce costs, improves assets utilization and facilitates the future development of the Company, which is in the interest of the Company and shareholders as a whole.

The transaction constituted a connected transaction of the Company. The consideration for transaction was determined by both parties with reference to the land valuation results set out in the valuation report issued by the valuer, on normal commercial terms and on a fair, reasonable and objective basis. The connected transaction was approved by the independent shareholders at the first 2009 extraordinary general meeting held on 23 December 2009.

(Please refer to the announcements dated 11 August 2009 and 24 December 2009 on China Securities Journal and Shanghai Securities News, and the announcements dated 10 August 2009 and 23 December 2009 on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company for details.)

During the reporting period, other than the aforesaid acquisition, the Company did not have other material asset acquisition, disposal or merger.

7.3 Connected transactions:

7.3.1 During the reporting period, other than the 2007-2009 Continuing Connected Transactions of the Company (the continuing connected transactions conducted in the usual course of business on normal commercial terms) which had obtained independent shareholders' approval at the EGM held on 3 April 2007 and the connected transaction relating to the aforesaid acquisition of equity interests in PEIT and the transfer of state-owned land use right from Huage Appliance, the Company did not have other material connected transactions and asset reorganization.

In 2009, the continuing connected transactions of the Company were entered into in the usual course of business and on normal commercial terms which were required for normal operation, and were audited by auditors. All connected transactions were confirmed by independent non-executive Directors, and did not exceed their respective annual caps.

7.3.2 During the reporting period, the transactions amount of sale of product and provision of service by the Company to related parties was RMB113,434,200, of which the connected transaction for sale of products and provision of services to the controlling shareholder and its subsidiaries amounted to RMB33,458,400; the transaction for purchase of products and acceptance of service from related parties amounted to RMB7,093,500.

7.3.3 During the reporting period, the actual amount of the provision of fund by the Company to related parties was RMB726,600 and the balance was RMB2,462,800, amongst which the actual amount provided to the controlling shareholders and its subsidiaries was RMB0 and the balance was RMB0; the actual amount of the provision of fund by related parties to the Company was RMB80,560,200 and the balance was RMB89,117,300.

7.3.4 As at 31 December 2009, there were no non-operating funds supplied by the Company to the controlling shareholder PEGL and its subsidiaries.

7.3.5 Since the agreements in respect of existing continuing connected transactions would be expired on 31 December 2009, after which all existing continuing connected transactions are expected to continue, the Company and its subsidiaries and PEGL and its subsidiaries entered into agreements in respect of the continuing connected transactions contemplated to be conducted between 2010 and 2012 by both parties on 15 October 2009. The continuing connected transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange and were considered and approved by the independent shareholders at the first 2009 extraordinary general meeting held on 23 December 2009.

(Please refer to the announcements dated 16 October 2009 and 24 December 2009 on China Securities Journal and Shanghai Securities News, and the announcements dated 15 October 2009 and 23 December 2009 on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company for details.)

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 its controlling subsidiaries amounted to RMB54,932,000 and the balance amounted to RMB27,591,200, the details of which are as follows:

As of 31 December 2009, the Company granted guarantees to letter of credit of RMB3,824,900 to its controlling subsidiary, Nanjing Panda Information Industry Co., Ltd., bank loan of RMB15,000,000 and obligations under finance leases amounted to RMB103,400 to Nanjing Panda Hua Ge Electronic Plastic Co., Ltd., as well as bank loan of RMB5,000,000 and obligations under finance leases amounted to RMB3,662,900 to Nanjing Panda Electronic Manufacturing Company Limited.

The said guarantees totalling RMB27,591,200, representing 1.87% of the Company's net assets, are provided to controlling subsidiaries. The gearing ratio of the above subsidiaries (except for Nanjing Panda Information Industry Co., Ltd.) receiving guarantees was below 70%.

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

7.6 Undertakings of controlling 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 any of the originally non-circulating shares it held which obtained listing status for 24 months from the date on which listing status was obtained.

(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.

As at 21 September 2009, PEGL, the holder of shares of the Company subject to trading moratorium, had strictly fulfilled all the above undertakings. During the reporting period, the Company, for the second time, arranged the listing of circulating shares subject to trading moratorium (limited to the shares involved in the share reform scheme) held by PEGL. Number of circulating shares subject to trading moratorium listed amounted to 269,213,500 shares. The date of listing of shares was 25 September 2009.

(Details were set out in the relevant announcements published in China Securities Journal and Shanghai Securities News on 22 September 2009, and the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September 2009.)

7.7 Auditors

At the Company's annual general meeting on 15 May 2009, the proposal for reappointment of Vocation International Certified Public Accountants Co., Ltd. ("Vocation International") and UHY Vocation HK CPA Limited ("Vocation HK") as the PRC and international auditors of the Company for 2009 respectively was considered and approved.

Both Vocation International and Vocation HK were appointed to provide audit services to the Company for the second consecutive year.

Remuneration paid by the Company to the abovementioned two certified public accountants for their audit services for the annual report were aggregately RMB2,019,900 (the aggregate amount of 2008: RMB2,021,800), of which RMB1,111,000 was paid to Vocation International while RMB908,900 was paid to Vocation HK.

7.8 The Company, the Board and its Directors did not suffer any administrative penalty or public criticism by regulatory authorities during the reporting period.

7.9 During the reporting period, the Company did not hold any equities or securities issued by other listed companies and did not hold shares of unlisted financial enterprises.

7.10 Disclosure of the Board's "Self-assessment Report on the Internal Control of the Company" ("Internal Control Report")

Please refer to the announcement dated 29 March 2010 published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange for the full text of the Internal Control Report.

No verification comments on the Internal Control Report of the Company have been made by the auditors.

7.11 Disclosure of the "Report on the Company's Fulfilment of Social Responsibility" ("Social Responsibility Report")

Please refer to the announcement dated 29 March 2010 published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange for the full text of the Social Responsibility Report.

7.12 Other events

7.12.1 Tax policies

The Company is registered in the High and New Technology Development Zone in Nanjing which is approved by the State Council as a national high and new technology development zone. The Company has been approved by the Jiangsu Provincial Technological Commission and Jiangsu Provincial Science and Technology Bureau as a high and new technology enterprise in 1995 and 2008 respectively, which is entitled to the preferential enterprise income tax treatment of 15% under relevant regulations.

7.12.2 Basic medical insurance for employees

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality (the "Regulations") and implemented a medical insurance scheme for its employees since 1 January 2001. The Company pays the premiums for such basic medical insurance schemes which are equivalent to 8.5% of the verified fee of all of the existing employees of the Company and provide subsidy to the employees whose medical expenses are covered under the medical scheme. The total allowance given in 2009 was not more than RMB1.50 million. Save as the aforesaid premiums, the Company is not responsible for any other medical expenses.

7.12.3 Corporate governance

During the reporting period, the Company has adopted and endeavored to comply with the code provisions under 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 Company's adoption of the code provisions will be set out in the section "Corporate Governance Report" in the 2009 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 expressed that they have complied with the Model Code as stipulated by the Hong Kong Stock Exchange and the relevant requirements in the Management Regulations on the Shareholding of Directors, Supervisors and Management and Relevant Shareholding Changes（《董事、監事和高級管理人員所持本公司股份及其變動管理規定》）as stipulated by the Shanghai Stock Exchange.

7.12.4 Audit Committee

The Company has set up an Audit Committee in compliance with the requirements of Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Audit Committee has reviewed the interim financial report for 2009 and the audited financial report for 2009.

(Details are set out in the section headed "Corporate Governance Report" in the 2009 Annual Report.)

8 REPORT OF SUPERVISORY COMMITTEE

During the reporting period, all the members of the Supervisory Committee of the Company had, in accordance with the provisions of the Company Law, the Securities Law, the Articles of Association, other state laws and rules and the requirements of domestic and international regulatory bodies, based on the principle 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.

During the reporting period, the Supervisory Committee held four meetings and proposed relevant resolutions.

During the reporting period, all supervisors attended all board meetings, and provided effective supervision to ensure that all decisions were made by the Board according to laws and regulations and the Articles of Association, were in line with the Company's development and prospects and were in accordance with shareholders' interests. The Supervisory Committee actively participated in production operation, technological renovation and investment projects of the Company, and provided many good proposals.

In the opinion of the Supervisory Committee, the Directors and the senior management staff of the Company had performed their duties as provided in the Articles of Association and as required by the relevant laws and regulations. None of the Directors, managers and other senior management staff violated any PRC laws and regulations or the Articles of Association. They had neither abused their office nor act illegally to harm the interests of the Company or its shareholders and staff.

The Supervisory Committee may regularly or irregularly examine the finance of the Company. The annual 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 did not raise any fund for use, nor did it conduct any substantial acquisitions or dispose of any assets.

During the reporting period, on 10 July 2009, the Company entered into an equity transfer agreement with PEGL, the controlling shareholder, in relation to the acquisition of 70% equity interests in Nanjing Panda Electromechanical Instruments Technology Co., Ltd. The transaction constituted a connected transaction. The transaction price was determined by the parties with reference to the appraised value of all equity interests of Nanjing Panda Electromechanical Instruments Technology Co., Ltd on normal commercial terms and on an arm's length basis, and was fair and reasonable. The supervisory committee is of the opinion that the transaction is in the interests of the Company and the shareholders as a whole. Pursuant to relevant regulations, this transaction is exempted from independent shareholders' approval requirement.

On 10 August 2009, Nanjing Huage Appliance and Plastic Industrial Company Limited ("Huage Appliance"), a controlling subsidiary of the Company, and Nanjing Panda Handa Technology Company Limited ("Handa Technology"), a subsidiary of PEGL, entered into a state-owned land use right transfer agreement. This transaction constituted a connected transaction. The transaction price was determined by both parties with reference to the land valuation results set out in the valuation report issued by the valuer, on normal commercial terms and on a fair, reasonable and objective basis. The supervisory committee is of the opinion that the transaction is in the interests of the Company and all shareholders as a whole. The connected transaction was considered and approved by the independent shareholders at the first 2009 extraordinary general meeting held on 23 December 2009.

In the reporting period, the connected transactions of the Company were entered into in accordance with fair and reasonable principles and were confirmed by the Independent Directors of the Company. No acts detrimental to the interests of the Company were found.

Since the agreements in respect of existing continuing connected transactions would be expired on 31 December 2009, after which all existing continuing connected transactions are expected to continue, the Company and its subsidiaries and PEGL and its subsidiaries entered into agreements in respect of the continuing connected transactions contemplated to be conducted between 2010 and 2012 by both parties on 15 October 2009. The continuing connected transactions were considered and approved by the independent shareholders at the first 2009 extraordinary general meeting held on 23 December 2009.

During the reporting period, PEGL, the controlling shareholder of the Company, continued to perform its undertakings in the Share Segregation Reform.

The financial statements as of 31 December 2009 were audited by UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd., in accordance with international and domestic accounting standards respectively, and they both have issued unqualified Auditors' Report of the Company. The 2009 financial statements fairly reflected the financial and operating situation of the Company.

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

9.1 Audit opinion

The financial report for the year of 2009 has been audited by Vocation International Certified Public Accountants Co., Ltd. who has prepared an unqualified auditors' report (Tian Zhi Hu Shen Zi (2010) No.1005).

9.2 Financial statement

Consolidated Balance Sheet
As at 31 December 2009

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

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank	**621,932,597.32**	449,704,337.63
Trading financial assets	**—**	—
Bills receivable	**8,370,297.83**	15,692,227.80
Accounts receivable	**225,724,139.03**	250,951,661.62
Prepayments	**64,834,617.63**	57,762,399.81
Interest receivable	**—**	—
Dividends receivable	**—**	—
Other receivables	**20,079,161.67**	23,080,165.88
Stocks	**157,430,028.94**	345,835,201.73
Non-current assets due within one year	**—**	—
Other current assets	**—**	—
Total current assets	**1,098,370,842.42**	1,143,025,994.47

Non-current assets:		
Available-for-sale financial assets	**—**	—
Held-to-maturity investments	**—**	—
Long-term receivables	**—**	—
Long-term equity investment	**778,712,065.54**	937,585,276.41
Investment properties	**—**	—
Fixed assets	**465,374,877.71**	507,553,212.21
Construction in progress	**85,591,336.05**	23,099,502.20
Construction supplies	**—**	—
Clearance of fixed assets	**—**	—
Biological assets for production	**—**	—
Gas assets	**—**	—
Intangible assets	**26,109,128.25**	64,617,145.70
Development expenses	**—**	—
Goodwill	**—**	—
Long term deferred expenses	**—**	3,205,958.49
Deferred income tax assets	**2,781,999.75**	6,927,714.01
Other non-current assets	**—**	—
Total non-current assets	**1,358,569,407.30**	1,542,988,809.02
Total assets	**2,456,940,249.72**	2,686,014,803.49
Liabilities and shareholders' equity	**Closing balance**	Opening balance

Current liabilities:		
Short term loans	**380,000,000.00**	595,500,000.00
Trading financial liabilities	**—**	—
Bills payable	**19,454,095.64**	47,547,289.42
Accounts payable	**276,239,639.25**	224,391,890.44
Advances from customers	**42,926,670.63**	46,264,581.14
Salaries payable	**44,696,054.89**	44,959,789.09
Taxes payable	**26,906,223.41**	25,567,470.01
Interest payable	**469,360.36**	1,155,400.00
Other payables	**181,964,084.47**	99,931,222.98
Non-current liabilities due within one year	**2,215,375.85**	9,167,543.14
Other current liabilities	**—**	—
Total current liabilities	**974,871,504.50**	1,094,485,186.22
Non-current liabilities:		
Long term loans	**4,000,000.00**	—
Bonds payables	**—**	—
Long term payables	**1,278,829.39**	3,546,064.37
Specific payables	**—**	—
Accrued liabilities	**—**	—
Deferred income tax liabilities	**—**	—
Other non-current liabilities	**—**	—
Total non-current liabilities	**5,278,829.39**	3,546,064.37
Total liabilities	**980,150,333.89**	1,098,031,250.59

Shareholders' equity:		
Share capital	**655,015,000.00**	655,015,000.00
Capital reserve	**465,369,977.77**	590,516,496.81
Less: treasury stock	**—**	—
Special reserve	**—**	—
Surplus reserve	**202,784,405.42**	200,510,421.29
Provision for general risks	**—**	—
Undistributed profits	**141,835,133.81**	128,583,446.32
Discounted spread in foreign currency statement	**—**	—
Sub-total of equity attributable to shareholders of the parent company	**1,465,004,517.00**	1,574,625,364.42
Minority interests	**11,785,398.83**	13,358,188.48
Total shareholders' equity	**1,476,789,915.83**	1,587,983,552.90
Total liabilities and shareholders' equity	**2,456,940,249.72**	2,686,014,803.49

Consolidated Profit and Loss Statement

2009

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

Items	2009	2008
1. Total operating income	**1,284,864,419.97**	1,279,703,372.12
Include: Operating income	**1,284,864,419.97**	1,279,703,372.12
2. Total operating cost	**1,437,988,605.94**	1,457,492,067.89
Include: Operating cost	**1,163,124,802.11**	1,116,019,958.87
Business taxes and surcharge	**6,970,273.99**	5,514,912.58
Selling expenses	**22,538,232.95**	34,684,342.00
Administrative expenses	**190,506,628.18**	216,173,215.25
Financial expenses	**34,408,135.20**	48,592,807.07
Loss in assets impairment	**20,440,533.51**	36,506,832.12
Add: Income from change in fair value (losses are represented by "-")	**—**	—
Investment income (losses are represented by "-")	**147,273,461.93**	202,727,180.24
Include: Investment income of associates and joint ventures	**147,273,460.93**	201,283,518.47
3. Operating profit (losses are represented by "-")	**-5,850,724.04**	24,938,484.47
Add: Non-operating income	**39,311,073.07**	29,538,554.69
Less: Non-operating expenses	**2,062,096.32**	4,112,133.97
Include: Loss from the disposal of non-current assets	**1,416,732.68**	1,051,098.57

4. Total profit (total losses are represented by "-")	**31,398,252.71**	50,364,905.19
Less: Income tax	**12,374,068.45**	6,568,213.66
5. Net Profit (net losses are represented by "-")	**19,024,184.26**	43,796,691.53
Profit attributable to the equity shareholders of the Parent	**15,525,671.62**	41,139,032.14
Minority interest	**3,498,512.64**	2,657,659.39
Net profit of the combined party in enterprise combination under the same control realized before the combining date	**3,139,535.66**	4,678,983.55
6. Earnings per share		
(1) Basic earnings per share	**0.02**	0.06
(2) Diluted earnings per share	**0.02**	0.06
7. Other comprehensive income	**—**	12,031,472.28
8. Total comprehensive income	**19,024,184.26**	55,828,163.81
Total comprehensive income attributable to the equity holders of the parent company	**15,525,671.62**	53,170,504.42
Total comprehensive income attributable to minority interests	**3,498,512.64**	2,657,659.39

Consolidated Cash flow statement

2009

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

Items	2009	2008
1. Cash flows from operating activities:		
Cash received from the sale of goods and services provided	**1,450,219,148.51**	1,293,309,265.77
Return of tax payment	**896,123.49**	9,474,070.13
Other cash received relating to operating activities	**119,110,640.93**	105,948,782.04
Sub-total of cash inflows from operating activities	**1,570,225,912.93**	1,408,732,117.94
Cash paid on purchase of goods and services	**936,802,346.81**	1,153,677,758.57
Cash paid to staff and paid on behalf of staff	**190,798,864.07**	198,877,512.08
Taxes paid	**74,896,110.97**	89,941,948.69
Cash paid relating to other operating activities	**120,230,616.25**	76,863,565.73
Sub-total of cash outflows from operating activities	**1,322,727,938.10**	1,519,360,785.07
Net cash flows from operating activities	**247,497,974.83**	-110,628,667.13

2. Cash flows from investment activities:

Cash received from investment recovered	**1.00**	—
Cash received from investment income	**306,146,671.80**	293,732,401.20
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	**53,758,901.28**	3,987,171.50
Cash received from disposal of subsidiaries and other business units	**—**	11,216,932.98
Cash received relating to other operating activities	**—**	—
Sub-total of cash inflows from investment activities	**359,905,574.08**	308,936,505.68
Cash paid on purchase of fixed assets, intangible assets and other long term assets	**88,309,603.17**	74,495,595.82
Cash paid for investment	**—**	—
Net cash paid on acquisition of subsidiaries and other business units	**125,553,242.55**	—
Cash paid on other investment activities	**—**	—
Sub-total of cash outflows from investment activities	**213,862,845.72**	74,495,595.82
Net cash flows from investment activities	**146,042,728.36**	234,440,909.86

3. Cash flows from financing activities:		
Cash received from investment	**1,500,000.00**	—
Including: cash received by subsidiaries from equity investment of minority shareholders		
Cash received from borrowings	**454,000,000.00**	703,500,000.00
Cash received from other financing activities	**8,301,668.02**	70,811,321.18
Sub-total of cash inflows from financing activities	**463,801,668.02**	774,311,321.18
Cash paid on repayment of debts	**665,500,000.00**	764,861,500.00
Cash paid on distribution of dividends or profits, or interest repayment	**38,462,896.53**	108,780,872.23
Including: bonus and profit paid to minority shareholders by subsidiaries	**—**	—
Cash paid on other financing activities	**9,458,601.79**	45,040,434.28
Sub-total of cash outflows from financing activities	**713,421,498.32**	918,682,806.51
Net cash flows from financing activities	**-249,619,830.30**	-144,371,485.33
4. Effect on cash and cash equivalents due to foreign currency exchange	**-12,165.77**	-1,131,472.47
5. Net increase in cash and cash equivalents	**143,908,707.12**	-21,690,715.07
Add: balance of cash and cash equivalents at the beginning of the year	**416,445,310.81**	438,136,025.88
6. Balance of cash and cash equivalents at the end of the year	**560,354,017.93**	416,445,310.81

Consolidated Statement of Change of Shareholders' equity

2009

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

	2009									
	Equity attributable to shareholders of the parent company									
Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Other	Minority interest	Total shareholders' equity
1. Balance of last year	**655,015,000.00**	**497,361,298.42**	**–**	**–**	**200,510,421.29**	**–**	**140,414,701.05**	**–**	**12,141,268.62**	**1,505,442,689.38**
Add: changes in accounting policies										
Combination of businesses under the same control	–	93,155,198.39	–	–	–	–	-11,831,254.73	–	1,216,919.86	82,540,863.52
2. Balance at the beginning of this year	**655,015,000.00**	**590,516,496.81**	**–**	**–**	**200,510,421.29**	**–**	**128,583,446.32**	**–**	**13,358,188.48**	**1,587,983,552.90**
3. Change of this year (a decrease is represented by "-")	**–**	**(125,146,519.04)**	**–**	**–**	**2,273,984.13**	**–**	**13,251,687.49**	**–**	**(1,572,789.65)**	**-111,193,637.07**
(1) Net profit	–	–	–	–	–	–	15,525,671.62	–	3,498,512.64	19,024,184.26
(2) Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Subtotal of item(1) and (2) above	–	–	–	–	–	–	15,525,671.62	–	3,498,512.64	19,024,184.26
(3) Contribution and reduction of capital by shareholders	–	(125,146,519.04)	–	–	–	–	–	–	(1,930,706.09)	(127,077,225.13)
1. Capital contribution by owner	–	–	–	–	–	–	–	–	1,500,000.00	1,500,000.00
2. Amount settled by shares for amount accounted for in shareholders' equity	–	–	–	–	–	–	–	–	–	–
3. Others	–	(125,146,519.04)	–	–	–	–	–	–	(3,430,706.09)	(128,577,225.13)
(4) Profit distribution	–	–	–	–	2,273,984.13	–	(2,273,984.13)	–	(3,140,596.20)	(3,140,596.20)
1. Transfer from surplus reserve	–	–	–	–	2,273,984.13	–	(2,273,984.13)	–	–	–
2. Provision for general risks	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	–	–	–	–	–	(3,140,596.20)	(3,140,596.20)
4. Others	–	–	–	–	–	–	–	–	–	–
(5) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–	–	–
1. Transfer of capital reserve to share capital	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to share capital	–	–	–	–	–	–	–	–	–	–
3. Compensation of loss from surplus reserve	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–
(6) Provision and use of special reserve	–	–	–	–	–	–	–	–	–	–
1. Provision for the period	–	–	–	–	–	–	–	–	–	–
2. Use for the period	–	–	–	–	–	–	–	–	–	–
4. Balance at the end of the year	**655,015,000.00**	**465,369,977.77**			**202,784,405.42**		**141,835,133.81**		**11,785,398.83**	**1,476,789,915.83**

2008

Equity attributable to shareholders of the parent company

Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Other	Minority interest	Total shareholders' equity
1. Balance of last year	655,015,000.00	480,209,034.37	–	–	200,094,023.38	–	156,031,038.14	–	46,818,871.15	1,538,167,967.04
Add: changes in accounting policies	–	–	–	–	–	–	–	–	–	–
Combination of businesses under the same control	–	111,123,726.11	–	–	–	–	(14,254,989.93)	–	13,316,043.35	110,184,779.53
2. Balance at the beginning of this year	655,015,000.00	591,332,760.48	–	–	200,094,023.38	–	141,776,048.21	–	60,134,914.50	1,648,352,746.57
3. Change of this year (a decrease is represented by "-")	–	(816,263.67)	–	–	416,397.91	–	(13,192,601.89)	–	(46,776,726.02)	-60,369,193.67
(1) Net profit	–	–	–	–	–	–	41,139,032.14	–	2,657,659.39	43,796,691.53
(2) Other comprehensive income	–	12,031,472.28	–	–	–	–	–	–	–	12,031,472.28
Subtotal of item (1) and (2) above	–	12,031,472.28	–	–	–	–	41,139,032.14	–	2,657,659.39	55,828,163.81
(3) Contribution and reduction of capital by shareholders	–	(12,847,735.95)	–	–	–	–	–	–	(48,712,086.04)	(61,559,821.99)
1. Capital contribution by owner	–	–	–	–	–	–	–	–	–	–
2. Amount settled by shares for amount accounted for in shareholders' equity	–	–	–	–	–	–	–	–	–	–
3. Others	–	(12,847,735.95)	–	–	–	–	–	–	(48,712,086.04)	(61,559,821.99)
(4) Profit distribution	–	–	–	–	416,397.91	–	(54,331,634.03)	–	(722,299.37)	(54,637,535.49)
1. Transfer from surplus reserve	–	–	–	–	416,397.91	–	(416,397.91)	–	–	–
2. Provision for general risks	–	–	–	–	–	–	–	–	–	–
3. Distribution to shareholders	–	–	–	–	–	–	(53,915,236.12)	–	(722,299.37)	(54,637,535.49)
4. Others	–	–	–	–	–	–	–	–	–	–
(5) Internal transfer of shareholders' equity	–	–	–	–	–	–	–	–	–	–
1. Transfer of capital reserve to share capital	–	–	–	–	–	–	–	–	–	–
2. Transfer of surplus reserve to share capital	–	–	–	–	–	–	–	–	–	–
3. Compensation of loss from surplus reserve	–	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–	–
(6) Provision and use of special reserve	–	–	–	–	–	–	–	–	–	–
1. Provision for the period	–	–	–	–	–	–	–	–	–	–
2. Use for the period	–	–	–	–	–	–	–	–	–	–
4. Balance at the end of the year	655,015,000.00	590,516,496.81			200,510,421.29		128,583,446.32		13,358,188.48	1,587,983,552.90

Balance Sheet

2009

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

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank	**327,700,983.52**	229,438,462.74
Trading financial assets	**—**	—
Bills receivable	**300,000.00**	—
Accounts receivable	**24,536,091.11**	89,150,124.91
Prepayments	**25,270,980.90**	22,505,935.65
Interest receivable		
Dividends receivable	**4,842,582.93**	3,609,034.16
Other receivables	**182,748,549.10**	162,326,061.32
Stocks	**10,163,724.18**	167,188,463.35
Non-current assets due within one year	**—**	—
Other current assets	**—**	—
Total current assets	**575,562,911.74**	674,218,082.13

Non-current assets:		
Available-for-sale financial assets	—	—
Held-to-maturity investments	—	—
Long-term receivables	—	—
Long-term equity investment	**1,113,461,382.90**	1,114,870,454.47
Investment properties	—	—
Fixed assets	**265,847,921.94**	278,091,577.34
Construction in progress	**85,509,336.05**	22,979,502.20
Construction supplies	—	—
Clearance of fixed assets	—	—
Biological assets for production	—	—
Gas assets	—	—
Intangible assets	**13,614,113.40**	14,625,312.85
Development expenses	—	—
Goodwill	—	—
Long term deferred expenses	—	—
Deferred income tax assets	—	—
Other non-current assets	—	—
Total non-current assets	**1,478,432,754.29**	1,430,566,846.86
Total assets	**2,053,995,666.03**	2,104,784,928.99

Liabilities and shareholders' equity	Closing balance	Opening balance
Current liabilities:		
Short term loans	**338,000,000.00**	567,500,000.00
Trading financial liabilities	**—**	—
Bills payable	**8,354,095.64**	—
Accounts payable	**71,628,242.83**	28,478,983.45
Advances from customers	**3,783,687.81**	1,507,273.51
Salaries payable	**30,620,099.44**	30,365,579.33
Taxes payable	**17,374,556.53**	20,210,067.21
Interest payable	**469,360.36**	1,155,400.00
Other payables	**204,856,900.73**	62,146,080.30
Non-current liabilities due within one year	**—**	—
Other current liabilities	**—**	—
Total current liabilities	**675,086,943.34**	711,363,383.80
Non-current liabilities:		
Long term loans	**4,000,000.00**	
Bonds payables	**—**	—
Long term payables	**—**	—
Specific payables	**—**	—
Accrued liabilities	**—**	—
Deferred income tax liabilities	**—**	—
Other non-current liabilities	**—**	—
Total non-current liabilities	**4,000,000.00**	—
Total liabilities	**679,086,943.34**	711,363,383.80

Shareholders' equity:		
Share capital	**655,015,000.00**	655,015,000.00
Capital reserve	**437,688,751.31**	478,941,415.14
Less: treasury stock	**—**	—
Special reserve	**—**	—
Surplus reserve	**202,784,405.42**	200,510,421.29
Provision for general risks	**—**	—
Undistributed profits	**79,420,565.96**	58,954,708.76
Total shareholders' equity	**1,374,908,722.69**	1,393,421,545.19
Total liabilities and shareholders' equity	**2,053,995,666.03**	2,104,784,928.99

Profit Statement

2009

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

Items	**2009**	2008
1. Total operating income	**355,190,263.48**	202,237,264.92
Include: Operating income	**355,190,263.48**	202,237,264.92
2. Total operating cost	**518,608,192.72**	418,427,663.03
Include: Operating cost	**345,136,409.53**	193,329,335.44
Business taxes and surcharge	**336,734.89**	241,696.17
Selling expenses	**5,432,649.97**	6,932,135.03
Administrative expenses	**125,790,136.71**	150,774,409.47
Financial expenses	**30,569,080.07**	44,003,300.13
Loss in assets impairment	**11,343,181.55**	23,146,786.79
Add: Income from change in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	**167,845,480.67**	211,566,659.58
Include: Investment income of associates and joint ventures	**—**	—

3. Operating profit (losses are represented by "-")	**4,427,551.43**	-4,623,738.53
Add: Non-operating income	**19,283,638.19**	11,583,864.18
Less: Non-operating expenses	**971,348.29**	2,796,146.57
Include: Loss from the disposal of non-current assets	**—**	—
4. Total Profit (losses are represented by "-")	**22,739,841.33**	4,163,979.08
Less: Income tax	**—**	—
5. Net Profit (losses are represented by "-")	**22,739,841.33**	4,163,979.08
6. Earnings per share:		
(1) Basic earnings per share		
(2) Diluted earnings per share	**—**	—
7. Other comprehensive income	**—**	—
8. Total comprehensive income	**22,739,841.33**	4,163,979.08

Cash flow statement

2009

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

Items	2009	2008
1. Cash flows from operating activities:		
Cash received from the sale of goods and services provided	**446,077,308.20**	171,408,325.84
Return of tax payment	**—**	—
Other cash received relating to operating activities	**162,949,502.16**	48,832,039.95
Sub-total of cash inflows from operating activities	**609,026,810.36**	220,240,365.79
Cash paid on purchase of goods and services	**141,599,302.38**	283,882,101.56
Cash paid to staff and paid on behalf of staff	**65,155,744.91**	61,587,163.81
Taxes paid	**12,682,481.50**	17,788,115.25
Cash paid relating to other operating activities	**111,390,088.85**	55,703,467.98
Sub-total of cash outflows from operating activities	**330,827,617.64**	418,960,848.60
Net cash flows from operating activities	**278,199,192.72**	-198,720,482.81

2. Cash flows from investment activities:

Cash received from investment recovered	**1.00**	—
Cash received from investment income	**326,857,747.90**	302,439,165.09
Net cash proceeds on the disposal of fixed assets, intangible assets and other long term assets	**242,006.79**	45,200.00
Cash received from disposal of subsidiaries and other business units	**4,987,800.00**	—
Cash received relating to other operating activities	**—**	—
Sub-total of cash inflows from investment activities	**332,087,555.69**	302,484,365.09
Cash paid on purchase of fixed assets, intangible assets and other long term assets	**76,303,492.63**	21,726,678.77
Cash paid for investment	**199,779,242.55**	22,858,363.58
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	**276,082,735.18**	44,585,042.35
Net cash flows from investment activities	**56,004,820.51**	257,899,322.74

3. Cash flows from financing activities:		
Cash received from investment	**—**	—
Cash received from borrowings	**412,000,000.00**	677,500,000.00
Cash received from other financing activities	**—**	80,000,000.00
Sub-total of cash inflows from financing activities	**412,000,000.00**	757,500,000.00
Cash paid on repayment of debts	**637,500,000.00**	733,000,000.00
Cash paid on distribution of dividends or profits, or interest repayment	**35,632,828.45**	101,266,030.80
Cash paid on other financing activities	**6,694,095.64**	1,203,333.32
Sub-total of cash outflows from financing activities	**679,826,924.09**	835,469,364.12
Net cash flows from financing activities	**-267,826,924.09**	-77,969,364.12
4. Effect on cash and cash equivalents due to foreign currency exchange	**—**	-1,824.02
5. Net increase in cash and cash equivalents	**66,377,089.14**	-18,792,348.21
Add: balance of cash and cash equivalents at the beginning of the year	**227,578,462.74**	246,370,810.95
6. Balance of cash and cash equivalents at the end of the year	**293,955,551.88**	227,578,462.74

Statement of Change of Shareholders' Equity

2009

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

Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Other	Total shareholders' equity
	2009								
1. Balance of last year	655,015,000.00	478,941,415.14	—	—	200,510,421.29	—	58,954,708.76	—	1,393,421,545.19
Add: changes in accounting policies	—	—	—	—	—	—	—	—	—
Correction of prior errors	—	—	—	—	—	—	—	—	—
2. Balance at the beginning of this year	655,015,000.00	478,941,415.14	—	—	200,510,421.29	—	58,954,708.76	—	1,393,421,545.19
3. Change of this year (a decrease is represented by "-")	—	(41,252,663.83)	—	—	2,273,984.13	—	20,465,857.20	—	(18,512,822.50)
(1) Net profit	—	—	—	—	—	—	22,739,841.33	—	22,739,841.33
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—
Subtotal of item(1) and (2) above	—	—	—	—	—	—	22,739,841.33	—	22,739,841.33
(3) Contribution and reduction of capital by shareholders	—	(41,252,663.83)	—	—	—	—	—	—	(41,252,663.83)
1. Capital contribution by owner	—	—	—	—	—	—	—	—	—
2. Amount settled by shares for amount accounted for in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Others	—	(41,252,663.83)	—	—	—	—	—	—	(41,252,663.83)
(4) Profit distribution	—	—	—	—	2,273,984.13	—	(2,273,984.13)	—	—
1. Transfer from surplus reserve	—	—	—	—	2,273,984.13	—	(2,273,984.13)	—	—
2. Provision for general risks	—	—	—	—	—	—	—	—	—
3. Distribution to shareholders	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(5) Internal transfer of shareholders' equity	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—	—
3. Compensation of loss from surplus reserve	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(6) Provision and use of special reserve	—	—	—	—	—	—	—	—	—
1. Provision for the period	—	—	—	—	—	—	—	—	—
2. Use for the period	—	—	—	—	—	—	—	—	—
4. Balance at the end of the year	655,015,000.00	437,688,751.31	—	—	202,784,405.42	—	79,420,565.96	—	1,374,908,722.69

	2008								
Items	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Other	Total shareholders' equity
1. Balance of last year	655,015,000.00	478,941,415.14	—	—	194,728,117.46	—	59,315,174.36	—	1,387,999,706.96
Add: changes in accounting policies	—	—	—	—	5,365,905.92	—	48,293,153.23	—	53,659,059.15
Correction of prior errors	—	—	—	—	—	—	—	—	—
2. Balance at the beginning of this year	655,015,000.00	478,941,415.14	—	—	200,094,023.38	—	107,608,327.59	—	1,441,658,766.11
3. Change of this year (a decrease is represented by "-")	—	—	—	—	416,397.91	—	(48,653,618.83)	—	(48,237,220.92)
(1) Net profit	—	—	—	—	—	—	4,163,979.08	—	4,163,979.08
(2) Other comprehensive income	—	—	—	—	—	—	—	—	—
Subtotal of item (1) and (2) above	—	—	—	—	—	—	4,163,979.08	—	4,163,979.08
(3) Contribution and reduction of capital by shareholders	—	—	—	—	—	—	—	—	—
1. Capital contribution by owner	—	—	—	—	—	—	—	—	—
2. Amount settled by shares for amount accounted for in shareholders' equity	—	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—	—
(4) Profit distribution	—	—	—	—	416,397.91	—	(52,817,597.91)	—	(52,401,200.00)
1. Transfer from surplus reserve	—	—	—	—	416,397.91	—	-416,397.91	—	—
2. Provision for general risks	—	—	—	—	—	—	—	—	—
3. Distribution to shareholders	—	—	—	—	—	—	(52,401,200.00)	—	(52,401,200.00)
4. Others	—	—	—	—	—	—	—	—	—
(5) Internal transfer of shareholders' equity	—	—	—	—	—	—	—	—	—
1. Transfer of capital reserve to share capital	—	—	—	—	—	—	—	—	—
2. Transfer of surplus reserve to share capital	—	—	—	—	—	—	—	—	—
3. Compensation of loss from surplus reserve	—	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—	—
(6) Provision and use of special reserve	—	—	—	—	—	—	—	—	—
1. Provision for the period	—	—	—	—	—	—	—	—	—
2. Use for the period	—	—	—	—	—	—	—	—	—
4. Balance at the end of the year	655,015,000.00	478,941,415.14	—	—	200,510,421.29	—	58,954,708.76	—	1,393,421,545.19

9.3 As compared with the latest annual report, there are no changes in accounting policy, accounting estimation and auditing methods.

9.4 There was no material audit deviation adjustment during the reporting period.

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

9.5.1 Nanjing Panda Technology Industrial Co., Ltd., Nanjing Panda Electromechanical Instruments Technology Co. Ltd., Nanjing Panda Xinxing Industrial Co., Ltd.（南京熊猫新興實業有限公司）and Panda Electronic Equipment Co., Ltd.（南京熊猫電子裝備有限公司）were included in the consolidation scope.

9.5.2 Shenzhen Panda Electronic Co., Ltd was no longer included in the consolidation scope.

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

Nanjing, the People's Republic of China
29 March 2010

As at the date of this announcement, the Board comprises: 1. Non-executive Directors: Mr. Xu Guofei, Mr. Zhu Lifeng, Mr. Shi Qiusheng, Mr. Lu Qing, Mr. Jason Hsuan; 2. Independent Non-executive Directors: Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence, Mr. Tang Yousong.