

Report of the Supervisory Committee

To all shareholders:

During the reporting period, all members of the Supervisory Committee of Nanjing Panda Electronics Company Limited (the "Company") have, in accordance with the provisions of the Company Law of the People's Republic of China ("Company Law"), Securities Law, the Articles of Association of the Company, other state laws and rules of domestic and foreign securities bodies, based on the principles of acting in good faith, performed faithfully their duties prescribed in laws and regulations concerned and in the Articles of Association to protect the interests of the Company and its shareholders.

During the reporting period, three Supervisory Committee meetings were convened for several resolutions respectively. The details are as follows:-

- (1) On 26th April, 2000, the third Supervisory Committee held its sixth meeting at the Company's Conference Room at which the report of Supervisory Committee, the audited 1999 financial statements, 1999 annual report and annual report highlights were reviewed. The Supervisory Committee passed its areas of job summary for the year 2000.
- (2) On 2nd August, 2000, the third Supervisory Committee held its seventh meeting at the Company's Conference Room during which the Company's interim results report and its summary for 2000 were reviewed.
- (3) On 9th October, 2000, the third Supervisory Committee held its eighth meeting at the Company's Conference Room during which the proposals regarding the implementation of asset reorganisation and connected transaction were considered and passed. The meeting considered that such asset reorganisation and connected transaction will be beneficial to adjustment in asset structure of the Company as well as its long-term development. The passing of the resolution by the Board of Directors did not violate any laws, regulations and Articles of Association of the Company nor impair the interests of the Company or the shareholders.

During the reporting period, all supervisors attended all board meetings, and provided effective supervision to ensure that all decisions were made by the Board of Directors according to laws, norms and the Company's Articles of Association, that the Company's development and prospects were concerned, and that shareholders' interests were protected. The Supervisory Committee actively participated in issues such as production operations, technological advancement and investment projects, and provided many good proposals.

In the opinion of the Supervisory Committee, the Directors, managers and other senior management of the Company had acted carefully and diligently in accordance with their statutory powers and duties as provided in the Articles of Association and as required by the relevant laws and regulations, with a concern of the interests of the Company as a whole. During the year, the directors and senior management did not violate any laws and regulations of the State or the Articles of Association of the Company, and they did not abuse their office and did not act illegally to harm the interests of the Company and its shareholders and staff.

Terms for acquisition and disposal of assets of the Company was on arm's length and made in public. There was no insider trading, nor any acts which would cause the harm to the interests of any shareholders or the Company.

Connected transactions of the Company were made on fair and reasonable basis and were confirmed by Independent Non-executive Directors of the Company. No acts which were harmful to the interests of the Company were found.

By Order of the Supervisory Committee

Zhang Zhenping

Chairman

Nanjing, the PRC 15th March, 2001