

Significant Events

1. The Company was not involved in any litigation and arbitration of material importance during the reporting period.
2. During the reporting period, no Company's director nor member in the senior management was subject to any punishment sanction by the Supervisory Department.
3. During the reporting period, the holding company of the Company was still Panda Electronics Group Limited. The term of office of the board of directors of the Company has not expired. Over half of members of the board remained unchanged. There were no changes in General Manager and Secretary to the Board of Directors.
4. Assets reorganisation:

On 9th October, 2000, the Company and Panda Electronics Group Limited ("PEGL") entered into an asset reorganisation agreement. Pursuant to which, the Company agreed to dispose its entire interest in certain assets in relation to the development, manufacture and sale of television sets and related products ("the Disposal Assets") to PEGGL for a total consideration of approximately RMB167.916 million (approximately HK\$156.931 million) which is payable by PEGGL by way of transfer of certain equity interest in Shenzhen Jinghua Electronic Co., Ltd. and Nanjing Panda Mechanical Engineering Plant ("The Injected Assets") together with a cash consideration of approximately RMB55.543 million (approximately HK\$51.909 million) to the Company.

In accordance with the terms of 2000 Reorganisation, the considerations for the transfers of the Disposed Assets and the Injected Assets were determined based on the valuations of their respective combined net assets made by Shenzhen Weiming Appraisal Firm of approximately RMB167.916 million (approximately HK\$156.931 million) and RMB112.373 million (approximately HK\$105.021 million) as at 30th June, 2000. The difference between the valuation of the combined net assets of the Disposed Assets and the Injected Assets was settled by a cash consideration of approximately RMB55.543 million (approximately HK\$51.909 million) paid by PEGGL to the Company.

The above-mentioned asset reorganisation agreement and on-going connected transactions were approved at the Extraordinary General Meeting held on 27th November, 2000. Conditions of the reorganisation were all satisfied.

(Details of the asset reorganisation were set out in the announcements published in Shanghai Securities Journal, China Securities Journal, Hong Kong Wen Wei Po and Hong Kong iMail on 10th October, 3rd November and 28th November, 2000).

5. Material connected transactions: Save as the connected transactions of Assets Reorganisation stated in item 4 above, the connected transactions carried out by the Company in 2000 were activities of day to day operation and had been conducted on normal commercial terms, which are not less favourable than those offered by domestic independent third parties for similar transactions. The total amount of each of the on-going connected transactions did not exceed the relevant cap approved at the extraordinary general meeting held on 27th November, 2000. Each of these connected transactions was audited by the auditors of the Company reviewed and approved by the independent directors of the Company. Details are set out in note 28 to the financial statements prepared under the accounting principles generally accepted in Hong Kong.
6. Separation of staff, asset and finance between the Company and its controlling shareholder, PEGL:
 - (1) Staff: the Company has its own independent management in labour, personnel and wages. Senior management such as general manager and deputy general manager received salaries from the Company. Save and except for the general manager who also held the position of general manager in PEGL, (the issue of dual appointment will be dealt with as soon as possible), there was no other senior management who held other position in the controlling shareholder.
 - (2) Asset: the Company has its own independent supply, production and sale systems as well as ancillary production system and facilities. Intangible assets such as trademark ownership, industrial right, non-patent technology were held by the Company.
 - (3) Finance: The Company has set up its own independent finance department as well as account auditing and finance management systems. Besides, the Company opened its bank accounts separately.
7. During the reporting period, the Company did not hold any trust, contract and lease of assets of other companies.

8. Upon consideration at the Annual General Meeting held on 15th June, 2000, it was approved that Zhongtian (Shenzhen) Certified Public Accountants would be re-appointed as the domestic auditors of the Company for the year 2000. Horwath Hong Kong CPA Limited was appointed as the international auditors for the year 2000 at the Extraordinary General Meeting held on 27th November, 2000.
9. Due to market changes, Nanjing ADC Broadband Communication Co., Ltd jointly set up between the Company and ADC Telecommunication Company of the United States cannot be operated according to the previous forecast in feasibility report. After its establishment, the joint venture has not been in normal operation and made loss. Accordingly, the board of directors made a decision and it was approved by Nanjing Foreign Economic Committee that the joint venture was terminated and liquidated. The Company had invested RMB9.95 million in the joint venture and recovered RMB8 million in cash. The Company made principal loss of RMB1.95 million.
10. Important guarantees

As at 31st December, 2000, the Company provided guarantees in respect of acceptance of RMB170,000,000.00 for Nanjing Panda Television Co., Ltd. and acceptance of RMB50,000,000.00 for Nanjing Cantai Electronic Co., Ltd., an independent third party of the Company, and bank loan of RMB80,000,000.00 for Nanjing Zhongda Mode (Group) Co., Ltd. Nanjing Panda International Telecommunication System Co., Ltd., a controlling subsidiary of the Company, provided guarantees in respect of acceptance of RMB380,000.00 for PEGL Wireless Telecommunications Company, bank loan of RMB25,000,000.00 and acceptance of RMB10,000,000.00 for Nanjing Jie Xun Moblie Telecommunications Equipment Co., Ltd., an independent third party; and acceptance of RMB10,000,000.00 for Jiangsu Tian Chuang Communication Industrial Co.,Ltd..

11. During the reporting period, the name of the Company and the stock name remained unchanged.
12. Other important issues:

(1) Tax policies

The Company is registered in High and New Technology Development Zone in Nanjing where has been 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 as a high and new technological enterprise, which is entitled to a preferential income tax rate of 15% as per existing policy. The Company is still entitled to the preferential treatment at present.

(2) In the reporting period, there was no trust deposit or fixed deposit, which the Company failed to recover upon maturity.