

## Notes to the Financial Statements

*(Prepared in accordance with PRC Accounting Rules and Regulations)(For the year ended 31st December, 2000)*

### **(1) INTRODUCTION TO THE COMPANY**

The Company was established on 27th April, 1992 as a state-owned enterprise after the approval from Nanjing Economic System Reform Committee with document number Ning Ti Gai Zi (1992) No. 34. It turned into Nanjing Panda Electronics Company Limited (Present name) later. Its sole promoter, Panda Electronics Group Limited (PEGCL), acquired the Company's 480,000,000 state-owned legal person shares in establishment with a consideration of total net asset value of RMB 480,000,000.00. Registered capital for the Company at its establishment was RMB 515,000,000.00, comprising 480,000,000 state-owned legal person shares of RMB1 each and 35,000,000 employee's shares of RMB 1 each.

The Company was registered as an enterprise legal person on 29th April, 1992, with its business registration number of 13488315-2. Scope of business after approval includes development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching system, electronic component parts, equipment and apparatus, electronic machinery and equipment, general machinery, medical machinery, electronic products, component parts of computers, stationaries equipment, industrial moulds and other equipment.

In the exceptional meeting of the Company held on 27th May, 1994, except other matters, an exceptional resolution was passed to approve the restructuring report, which included matters concerning breaking down and restructuring the assets and liabilities of the Company and companies under PEGC as well as re-affirming the state-owned legal person shares of the Company. In the same meeting, one exceptional resolution was also passed. The Board of Directors was authorized to handle all affairs related to conversion of the Company into Socially Funded Company and to make a public offer and listing of the Company's A & H shares. According to the exceptional resolution, the net asset value of the Company would be adjusted on 29th June, 1994. Net asset value of the Company at establishment was re-defined as RMB 322,873,348.00, including registered capital of RMB 322,870,000.00, comprising 287,870,000 state-owned legal person shares, with share capital of RMB 287,870,000.00; 35,000,000.00 employee's shares, with share capital of RMB 35,000,000.00; and capital common reserve of RMB 3,348.00.

According to the restructuring report dated 10th February, 1994 and the reply concerning the report released by the State Committee for Changing System dated 11th March, 1996. Registered capital for the Company increased from RMB 322,870,000.00 to RMB390,015,000.00. It was diverted into 355,015,000 state-owned legal person shares and 35,000,000 employee's shares. All the above were recorded in accounting books at par and were fully paid and distributed.

In order to issue H shares, a comprehensive evaluation was conducted on the assets and liabilities of the Company on 30th September, 1995. Respective book values were adjusted after share issue approved by the Securities Committee of the State Council.

The Company gained approval from the document from Securities Committee of the State Council on 2nd April, 1996 of issuing Zheng Wei Fa (1996) No. 6, to issue 242,000,000 H shares in Hong Kong, to be sold at HK\$ 2.13 per share. Share issue was completed at 29th April, 1996 and was formally listed on the Stock Exchange of Hong Kong on 2nd May, 1996.

The Company gained approval from the document from Securities Supervision and Management Committee of the State Council on 30th October, 1996 of issuing Zheng Gan Fa Zi (1996) No. 304, to issue 23,000,000 ordinary shares in RMB to the public. Selling price is RMB 5.10 per share. At 14th November, 1996, all fees for allotment was received in full and the stock was listed on Shanghai Securities Exchange at 18th November, 1996. The 350,000,000 internal employee's shares including 5,000,000 shares originally planned to be a source of financing was also listed after completion of issuing shares.

The Company held its Business license as an enterprise legal person on 18th April, 1997 with register number of Qi Su Ning Zhong Fu Zi No. 03967. Its registered capital was RMB 655,015,000. Approved scope of business includes research and development, production, sale and technical service of wireless communication equipment, broadcasting TV equipment, goldsmith and switching systems, electronic component parts, apparatus, machineries and equipment, medical machineries, industrial moulds and other equipment, computers and system engineering.

According to resolutions at extraordinary general meeting for 2000, the Company disposed of its interests in 8 subsidiaries in relation to TV set business and assets in 6 internal independent audit units to PEGL, a shareholder of the Company and was transferred interests in Nanjing Panda Mechanical Engineering Plant and Shenzhen Jinghua Electronic Co., Ltd. from PEGL.

## **(2) PRINCIPLE ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND THE METHOD OF CONSOLIDATING THE FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES**

### **1. Accounting System**

The accounting system adopted is in conformity with the "Accounting Regulations for Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and "Accounting Regulations of the People's Republic of China for Joint Stock Companies" and its supplementary regulations.

### **2. Financial Year**

The financial year of the Company covered the calendar year from 1st January to 31st December.

### **3. Reporting Currency**

The Company uses Renminbi as its currency for recording transactions

### **4. Principle of book-keeping and valuation:**

The Company records transaction on accrual basis. Assets will be valued at historical cost.

Balances of short term investment and inventories at year end are stated at the lower of their respective costs and market prices.

### **5. Foreign currency transaction**

Commercial transactions entered into during the financial year in foreign currencies are translated into Renminbi at the appropriate applicable exchange rates prevailing at the dates of the transaction. Monetary balances at the end of the year are adjusted by the difference between the market exchange rates prevailing at the year end date and the book value exchange rates. Such difference will be taken into account in the Profit and Loss Accounts of the year.

## **6. Cash Equivalent**

Cash equivalent represents to the Company and its subsidiaries' investment made by the Company which had short term, frequent circulation, easily converted into cash and low valuation risk. It includes short-term debenture investment which is circulated in securities market and is due within three months from the date of purchase.

## **7. Provision for bad debts**

The Company classified the following trade debtors as bad debts: (i) the trade debtors caused by bankruptcy or death of the debtors whose debts were unable to be recovered even after paying off the debts from the insolvent assets or heritage. (ii) the trade debtors caused by the debtor's inability to perform the liability of payment over three years.

Bad debts is accrued on a provision method. Provision for bad debts is determined with reference to overdue period of the balance of trade debtors and other receivables at the year end provision for debt with an overdue period of less than 1 year is provided at 3%; from 1 to 2 years at 6%; the age from 2 to 3 years at 30%; over 3 years at 60%.

## **8. Short Term Investment**

Short term investment represents the investment which is realizable at any time and held for not more than one years. It includes stock investment and bond investment. Short term investment acquired is stated actual cost which is actually made by reduction of cash dividends or interest declared to be paid. "Price drop provision for short term investment" is stated at the difference between market prices of short term investments at the difference between market prices of short term investments and their respective costs during the end of the period.

## **9. Inventories**

Inventories are classified into eight types, namely, raw materials, work in progress, self-manufactured semi-products, finished products, stored commodities, packaging materials, processing materials and low-value consumables.

The Company adopts perpetual inventory method for its inventory system. The purchase and storage of finished products and stored commodities are stated at cost. Delivery is stated at weighted average method. Other inventories are stated at standard prices and its difference from actual cost is adjusted based on the monthly rate of difference. Low-value consumables and packaging materials are amortized on one-time basis.

At year end, for total stock-taking, the provision for inventory allowance is stated for estimated unrecoverable cost for damaged, totally or partially obsolete or selling price lower than cost of inventories. The provision for inventory allowance is stated at the difference of the higher cost of a single inventory than its realisable net value.

## **10. CALCULATION METHOD FOR LONG-TERM EQUITY INVESTMENT**

### **(1) Long-term equity investment**

#### **a. Security investment**

The purchase of securities by cash are accounted for in cash basis of the actual amount of payment. If the dividend to be distributed is included in the actual amount of payment, the investment cost is recognized at the actual amount paid less net balance of dividend to be distributed. The Company's securities in form of actual goods and intangible assets are stated at investment cost on basis of the contracted or agreed value and valuation of evaluated assets.

#### **b. Difference in equity investment**

For long-term equity investment accounted for on equity method, "difference in equity investment" is set up for the calculation of the difference between the cost of the long-term investment acquired and the share in shareholders' interests in an investee unit. Difference in equity investment is also stated at the difference between investment cost and the share of shareholders' interests in an investee unit when the calculation method is changed from cost method to equity method for long-term equity investment. At year end, the difference is amortised in average for a 10-year period for borrower; and for the residual operating period of the investee unit for lender.

#### **c. Other equity investment**

The investment by cash are accounted for on cash basis of the actual amount of payment. The investment cost of long term equity obtained from abandoning non-cash asset are stated at the fair value of the non-cash asset being abandoned. If the fair value of the obtained equity investment is clearer than fair value of abandoned non-cash assets, the fair value of the former will prevail.

If the fair value of abandoned non-cash assets or obtained equity exceeds the balance of book value of abandoned non-assets, the difference between them less tax payable will be stated at provision for capital reserve.

d. Income Recognition

The investment income stated at cost method are recognized when the investee's company announced to distribute dividend in cash; the investment income stated at equity method are recognized on basis of the Company's share of the net profit or net loss recorded by the investee unit at the end of every fiscal year and the book value of long term equity investment was adjusted accordingly.

The security investment and other equity investment are stated at cost method if the holding company holds 20% or less of the total voting capital of the investee company or holds more than 20% of the total voting capital of the investee company but imposes no significant influence; stated at equity method if the holding company holds more than 20% of the total voting capital of the investee unit or holds less than 20% of the total voting capital of the investee company but imposes significant influence.

The associated companies are set out as follows:

Registered Company Name	Legal Place	Registered Representative	Actual capital			% of Core Business
			capital '0000	invested '0000	equity held %	
Nanjing Ericsson Panda Communication Co., Ltd.	Nanjing	Michael Ricks	USD2,090.00	RMB6,086.33	43	manufacture and sale of program-control exchange and base station
Panda Electronic Group Packing Material Plant	Nanjing	Li Jiafeng	RMB500.00	RMB150.00	30	PVC and plastic products
Nanjing Sharp Electronic Co., Ltd.	Nanjing	Jin Teng Tai Yan	USD2,458.00	RMB6,142.54	30	liquid television set multimedia terminal
Nanjing Ericsson Mobile Terminal Co., Ltd.	Nanjing	Jan Main	USD1,200.00	RMB3,476.94	35	digital telecommunication terminal equipment

Shenzhen Jinghua Electronic Co., Ltd.	Shenzhen	Li Su Qin	RMB11,507.00	RMB6,968.74	38.03	production and sale of telecommunication and equipment electronic products
---------------------------------------	----------	-----------	--------------	-------------	-------	--

<b>Registered Company Name</b>	<b>Legal Place</b>	<b>Registered Representative</b>	<b>Registered capital '0000</b>	<b>Actual capital invested '0000</b>	<b>equity held %</b>	<b>% of Core Business</b>
Jiangsu Software Industrial Co., Ltd.	Nanjing	Zhao Guozhen	RMB19,800.00	RMB6,930.00	35	development, production and sale of computer network system and software
Intenna (Nanjing) Co., Ltd.	Nanjing	Olof Lenneman	RMB1,000.00	RMB70.00	35	research, production and sale of antenna system
Nanjing Lingyun Information Co., Ltd.	Nanjing	Zhang Weiwei	RMB50.00	RMB15.00	30	frequency modulation

## (2) Long-term debt investment

Effective cost is stated at the balance of the amount actually paid less any surcharge, including tax and service charge, and accrued interest for the period from issue date to the date of purchase of the debentures. Difference between the effective cost and par value of the debentures is premium or discount which is amortised at effective interest rate method (straight-line method) when the relevant interest income of the debentures is recognised during the period of its deposit.

The method of income recognition is that accrued interest is stated for debenture investment. The interest income of debenture investment after amortisation of the adjustment by premium or discount of the debenture investment is recognised as the current portion of investment return. Periodically accrued interest of other debt investment is recognised as the current portion of investment return.

### (3) Provision for long term investment diminution

The Company made provision for long term investment diminution. At the end of the year, the Company reviewed each items of the long term investment. If the amount of investment recoverable is lower than the book value of investment due to the fact that the market value of long term investment continues to decline or the operation of investee company continues to deteriorate, the difference between recoverable amount and book value of long term investment is made for provision for long term investment diminution. This provision is firstly to write off the provision of capital reserve and the amount insufficient to write off is recognized to profit and loss account for the period. The value of long term investment recognized as loss but recovered is to be transferred back within the amount of loss already recognized.

## 11. FIXED ASSETS AND DEPRECIATION

Fixed assets referred to those houses, buildings, machinery, equipment, transportation vehicle and other equipment and tools in relation to production and operation valued at more than RMB2,000 per unit and with a useful life of more than one year; including those which are not principal equipment of production and operation but valued at more than RMB2,000 per unit with a useful life of more than two years.

- a. Fixed assets are stated at cost.
- b. Depreciation is calculated on an average straight line basis to write off the cost of each asset over its estimated useful life after taking into account its residual value (5% of its cost). The rates of depreciation are summarised as follows:

<b>Types of Assets</b>	<b>Annual Rate Useful Life</b>	<b>of Depreciation</b>
Buildings	30 年	3.17%
Machinery and equipment	8-11 年	8.63-11.87%
Transportation vehicle	10 年	9.5%
Other equipment	5 年	19%



## **12. CONSTRUCTION IN PROGRESS**

Construction in progress represents buildings and facilities under construction and installation and is stated at cost. Cost comprises direct and indirect costs of construction or installation as well as interest charges and exchange differences on related borrowed funds during the periods of construction, installation and testing. Completed items are transferred from construction in progress to fixed assets when they are put into operation and capitalized interests is to be ended .

## **13. INTANGIBLE ASSETS AND AMORTIZATION**

The Company accounts the intangible assets purchased or obtained through legal procedures for the actual amount of payment. The intangible assets transferred from acceptance of investment are accounted for the contracted value or evaluated value. The various kind of intangible assets are amortized on straight line basis of over their useful lives. Details are set out as follows:

1. Right of use of land is amortized by 48 years and 9 months;
2. Right of use of trade mark is amortized by 10 years;
3. Exclusive technology is amortized by 5 years.

## **14. OTHER ASSETS**

- a. Pre-operating expenditure: it is amortised over 5 years after the production and operation of the Company commences.
- b. Long term deferred expenses: they are amortised over the specific period, if not, they are amortised for 3 to 10 years.

## **15. PRINCIPLES OF ESTIMATED LIABILITIES RECOGNITION**

Liabilities will be recognised if the obligation of contingent issues conforms to the followings:

- (1) The obligation is the existing obligation of the enterprise;
- (2) The performance of the obligation will lead to outflow of economic benefit;

- (3) The amount of the obligation can be reliably calculated.

The amount is the best estimate of the expenditure for the repayment of the liabilities. If the expenditure has a range of amount, the best estimate will be determined at the average of its upper and lower limits. If the expenditure has no range of amount, the best estimate will be determined as follows:

- (1) For contingent issues involving a single item, the best estimate will be determined at the most probable amount incurred;
- (2) For contingent issues involving more than one single item, the best estimate will be determined at their probable amount incurred and their possibilities.

All or partial expenditure of recognised liabilities expected to be compensated by the third party or other party will be recognised as asset separately when the compensation amount is basically ensured to be received. Recognised compensation amount will not be more than the book value of the recognised liabilities.

## **16. PRINCIPLES OF REVENUE RECOGNITION**

Revenue recognition is based on the followings and is stated in the current portion of profit or loss when the revenue is incurred.

On the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement nor effective control over the goods sold and when the relevant revenue are received or evidence of payment recovery is obtained, and the cost relating to the sale can be measured reliably, the revenue is recognised.

On the provision of labour service, the revenue is recognised at percentage of completion. The revenue is recognised on basis of that the total income of labour contract and degree of labour completion can be measured reliably when payment relating to the transaction will flow into the Company and cost incurred and to be incurred can be measured reliably.

Revenue is recognised for service charge income in respect of the provision of intangible assets of the company and is recognised with respect to the period of charge and calculation method stated in relevant contract and agreement.

## 17. ACCOUNTING FOR INCOME TAX

Income tax is stated by accrued tax basis.

## 18. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The principle of preparation of consolidated financial statements is that the financial statements of an investee unit in which the Company holds 50% of its total capital with voting right, or a subsidiary in which the Company holds not more than 50% of its total capital but has actual control right will be consolidated.

The method is that the Company's consolidated financial statements are compiled on the financial statements of the parent Company and the subsidiaries included in the consolidation, by offsetting internal transactions including important intra-group investment, internal current accounts, stocks transfer and unrealised profits while taking into account minorities interest. For associated companies which are in compliance with proportional consolidation, their assets, liabilities, revenue, charges and profit are consolidated on pro-rata basis.

### (3) TAX

Major types of tax and tax rate applicable to the units consolidated are as follows:

<b>Tax</b>	<b>Basis of calculation</b>	<b>Tax rate</b>
Value-added tax	Sales income	
Sales tax	Service income	
Urban development tax		Sales tax (or value-added tax paid)
Education surcharge		Sales tax (or value-added tax paid)
Enterprise income tax		Assessable income

On 29th August 1995, the Company was certified as high-tech enterprise by Jiangsu Provincial Science and Technology Committee and thus is entitled to the preferential tax policy. The Company is entitled to paying 15% of the amount of income assessable as income tax effective from 1st January 1995.

Approved by Nanjing Jiangning Economic Technology Development Zone Management Committee, subsidiaries of the Company, namely Nanjing Panda Technology Equipment Co., Ltd., Nanjing Panda Information Industry Co., Ltd. and Nanjing Panda Accurate

Machinery Co., Ltd., are entitled to pay income tax at 15% of the amount of income assessable.

On 29th June, 1998, Nanjing Scientific Technology Committee confirmed that Nanjing Panda International Telecommunication System Co., Ltd., a subsidiary of the Company, is a high tech enterprise and is entitled to preferential income tax policy. That company was exempted from enterprise income tax from 1996 to 1997 and paid at half the enterprise income tax or 15% of the amount of income assessable as income tax from 1998 to 2000.

#### (4) CONTROLLING SUBSIDIARIES

##### 1. The subsidiaries included in the consolidated financial statements are as follows:

Company Name	Registered Representative	Registered capital '0000	Actual capital invested '0000	% of equity held	Core Business
Nanjing Panda Electronic Material Co., Ltd.	Cao Yuanning	RMB53.00	RMB50.00	93.34	metallic, chemical, electronic
Nanjing Panda Electronic System Engineer Corp.	Yuan Dong	RMB30.00	RMB30.00	100	installation of communication broadcast and television system
Shenzhen Panda Electronic Co., Ltd.	Song Jiaju	RMB650.00	RMB617.50	95	Home appliance, tele-communication equipment and appliance and apparatus
Nanjing Panda Technology Equipment Co., Ltd.	Li Anjian	RMB500.00	RMB350.00	70	production and installation of production line
Nanjing Panda International Telecommunication System Co., Ltd.	Li Anjian	USD100.00	RMB765.50	72	development, production sale of telephone and telecommunication system
Nanjing Guanghua Electronic Plastic Installing Plant	Wang Wenbai	RMB1,225.00	RMB844.83	71.94	PVC, ABS products
Nanjing Panda Information Industry Co., Ltd.	Wang Songshan	USD340.00	RMB2,100.00	72	development, production and sale of electronic information products

Company Name	Registered Representative	Registered capital '0000	Actual capital invested '0000	% of equity held %	Core Business
南京熊貓機電設備廠*2	Wang Wenhui	RMB4,500.00	RMB3,055.38		production and sale of electronic products, telecommunication equipment and appliance and apparatus
Nanjing Panda Appliance & Apparatus Co., Ltd.	Li Anjian	RMB100.00	RMB70.00		production, development and sale of testing appliance; design and installation of electronic information system
南京熊貓精機有限公司*1*2	Li Anjian	RMB100.00	RMB70.00		production of equipment and spare parts for electronic industry; processing of sophisticated machinery
南京華格型料型材有限公司*1	Wong Wenbai	RMB800.00	RMB714.00		production and sale of plastic special-shaped products, plastic and steel doors and windows and aluminium alloy doors and windows

\*1: The Company indirectly holds interests in these companies through subsidiaries.

\*2: The Company acquired interests in these companies through the transfer of interests from PEG.L. These companies are consolidated in the accounts from December, 2000.

2. The subsidiaries not included in the consolidated financial statements are as follows:

<b>Company Name</b>	<b>Registered Representative</b>	<b>Registered capital '0000</b>	<b>Actual capital invested '0000</b>	<b>% of equity held %</b>	<b>Core Business</b>
Nanjing Panda Electronic Advertise-Ment Company	Gao Sifeng	RMB100.00	RMB60.00		design and production of video, printing advertisement
Nanjing Panda Electronic Eastern Suburb Technology Department	In Songlin	RMB50.00	RMB50.00		hardware and electronic labour products
Nanjing Panda Chenguang Electronic Co. Ltd.	Wang Songshan	USD180.00	RMB760.08		production and sale of monitors
Shenzhen Panda Golden Card Enterprise Co. Ltd.	Zhou Zhenyu	RMB600.00	RMB360.00		development of IC card computer software
<b>Company Name</b>	<b>Registered Representative</b>	<b>Registered capital '0000</b>	<b>Actual capital invested '0000</b>	<b>% of equity held %</b>	<b>Core Business</b>
Nanjing Panda Broadcast and Television Products Repair and Maintenance Center	Xiong Yongzhou	RMB50.00	RMB50.00		repair/maintenance of electronic products
Nanjing Panda Computer Co. Ltd.	Chen Xiangxing	RMB500.00	RMB500.00		production and sale of computers
Nanjing Asia-Pacific Satellite Communication Company	Song Yueming	RMB50.00	RMB50.00		satellite communication service, electronic system design

Note: \* Since the operation of the above companies were terminated and under liquidation, they were not included in the consolidated financial statements. The book value of the investment in these companies is stated zero.

Company Name	Registered Representative capital	Registered invested capital '0000	Actual capital equity held '0000	% of Core Business %	
Nanjing Panda Electronic Transportation Co. Ltd.	Ding Zhao Guo	RMB410.40	RMB418.42	freight transportation passenger	
Panda Electronic Group Power Source Equipment Corp.	Liu Tianpei	RMB921.40	RMB879.38	manufacture of radio telecommunication equipment and accessories	
Panda Group Hefei Marketing Company	Huang Yong	RMB57.70	RMB57.70	sale of television set	
Beijing Ninghe Panda Electronic Products Co. Ltd.	Huang Yong	RMB50.00	RMB50.00	sale of television set	
Panda Group Zhongnan Marketing Company	Huang Yong	RMB50.00	RMB67.20	sale of television set	
Zhejiang Panda Electronic Marketing Company	Huang Yong	RMB100.00	RMB70.00	sale of television set	
Nanjing Jiajiale Home-Electronic Plant	Wang Yumin	RMB632.00	RMB447.13	process of plastic frame of color TV set and small home appliance	
Company Name	Registered Representative	Registered capital '0000	Actual capital invested '0000	% of equity held %	Core Business
Nanjing Panda Television Co. Ltd.	Li Anjian	RMB30,000.00	RMB30,000.00		development, production, sale and technological service of Television set and related Products

The Company's interests in the above mentioned companies were transferred to PEGL in December, 2000. The profit and loss of these companies from January to November, 2000 are included in the consolidated accounts.

As the Company injected and disposed of interests mentioned above, there are material changes in subsidiaries included in the consolidated accounts when compared with that in 1999. Certain items in the accounts do not compare with the previous year.

## (5) NOTES TO THE FINANCIAL STATEMENTS

### 1. Cash and Bank Balances

#### Consolidated

Item	Currency	Balance in original currency	Exchange rate	2000.12.31	1999.12.31
Cash on hand	RMB	292,966.24	1.0000	292,966.24	1,777,542.99
	USD	1,162.00	8.2781	9,619.15	*-
Sub-total				302,585.39	1,777,542.99
Cash in bank	RMB	86,257,888.30	1.0000	86,257,888.30	130,670,600.09
	HK\$	9,182.57	1.0613	9,745.46	658,541.66
	USD	100,871.11	8.2781	835,021.14	585,466.15
Sub-total				87,102,654.90	131,914,607.90
Other monetary fund					
Guaranteed deposit	RMB	283,025,866.68	1.0000	283,025,866.68	249,525,069.00
Fixed deposit	RMB	25,457,400.00	1.0000	25,457,400.00	106,470,583.77
Cash in transit	USD	832,145.87	8.2781	6,888,581.97	41,999,910.95
Sub-total				315,371,848.65	397,995,563.72
Total				402,777,088.94	531,687,714.61

In the above fixed deposit, there is a total of USD800,000.00, equivalent to RMB6,622,480.00, pledged for a bank loan. Details are set out in note(10).



## 2. Short Term Investment and Provision for Diminution of Short Term Investment

### Consolidated

Item	2000.12.31	
	Investment amount RMB	Provision for diminution RMB
Share investment	987,125.95	*_
including: listed shares*	880,715.95	*_
unlisted shares	106,410.00	*_
Other investment	120,000,000.00	*_
Total	120,987,125.95	*_

\* Market value of listed shares at the end of the period is RMB859,499.35.

Other investment is the fund entrusted to be managed by Jiangsu Xing Sheng Investment Management Co., Ltd..

## 3. Bills Receivable

### Consolidated

Issuing Unit	Date received	Expiry date	accepted RMB	Remark
Nanjing LG Tongchuang Colour Display System Co., Ltd	2000.07.10	2001.01.10	2,375,768.57	accepted
Jiangsu Yan Fu People's Arcade	2000.09.27	2001.03.27	1,000,000.00	
Da Zhong Electrical Applicanes Co., Ltd. of Wo Yang County	2000.11.30	2001.01.31	100,000.00	accepted
Huai Nan Hua Lian Commercial Building Co., Ltd.	2000.11.10	2001.04.07	50,000.00	

Zhong Feng Communications and Electrical Subsidiary of Tengzhou Municipal Department Store General Company	2000.09.26	2001.03.26	50,000.00	
Hefei Yong Shi Da Refrigerator Co., Ltd.	2000.08.07	2001.02.07	39,999.98	accepted
Total			3,615,768.55	

There is no pledged bill in the above bills receivable.

#### 4. Dividends Receivable

##### Consolidated

Item	2000.12.31 RMB	1999.12.31 RMB
Dividends from long term equity investments - on the basis of equity method	7,439,514.89	520,539.76

#### 5. Accounts Receivable

##### (i) Consolidated

	2000.12.31		1999.12.31	
	RMB	Percentage	RMB	Percentage
Within 1 year	124,931,425.39	87.97	3,747,942.76	62.83
1-2 years	12,470,251.42	8.78	748,215.09	21.75
2-3 years	794,303.03	0.56	238,290.91	9.49
More than 3 years	3,824,063.20	2.69	2,294,437.92	5.93
Total	142,020,043.04	100.00	7,028,886.68	100.00

Accounts receivable does not include any amount due from holders with 5% or above shareholding in the Company.

Reasons of changes: Change in scope of consolidation, mainly the disposal of 8 subsidiaries in relation to TV set business, led to a significant decrease of accounts receivable.

Five largest units with amounts due from:

Name of units	Amounts due from RMB	Due time	Reasons
Nanjing Panda Television Co., Ltd.	34,965,318.19	within 1 year	goods payment
Yin Hu Mobile Telecommunications Products Co., Ltd. of Gangzhou City	34,165,700.00	within 1 year	goods payment
San Qiao Telecommunications Technology Development Co., Ltd.	6,669,656.42	within 1 year	goods payment
Nanjing LG Tongchuang Colour Display System Co., Ltd.	5,924,883.58	within 1 year	goods payment
Education Research Institute of Gaomi City	4,237,902.00	within 1 year	goods payment

(ii) The Company

Age	2000.12.31		1999.12.31		2000.12.31		1999.12.31	
	RMB		RMB		RMB		RMB	
	Percentage	bad debts	Percentage	bad debts	Percentage	bad debts	Percentage	bad debts
Within 1 year	5,314,705.71	63.92	159,441.17	16,520,532.52	85.20	7,501,220.11		
1-2 years	1,561,490.59	18.78	93,689.44	1,356,400.54	6.99	81,384.03		
2-3 years	122,156.20	1.47	36,646.86	37,558.00	0.18	11,267.40		
More than 3 years	1,316,747.97	15.83	790,048.78	1,476,727.01	7.63	886,036.21		
Total	8,315,100.47	100.00	1,079,826.25	19,391,218.07	100.00	8,479,907.75		

## 6. Other Receivables

### Consolidated

Age	2000.12.31		1999.12.31				
	RMB	Percentage	Provision for bad debts	RMB	Percentage	Provision for bad debts	RMB
				RMB		RMB	
Within 1 year	233,330,043.53	84.96	6,999,901.30	46,193,943.65	44.32	1,385,818.30	
1-2 years	3,666,620.44	1.34	219,997.23	27,217,018.53	26.12	1,633,021.12	
2-3 years	23,227,504.65	8.46	6,968,251.40	12,023,730.61	11.54	3,607,119.18	
More than 3 years	14,400,254.03	5.24	8,640,152.41	18,783,462.23	18.02	11,270,077.35	
Total	274,624,422.65	100.00	22,828,302.34	104,218,155.02	100.00	17,896,035.95	

Other receivables do not include any amount due from holders with 5% or above shareholding in the Company

Other receivables do not include non-related current amounts which account for 10% or above of the total other receivables.

Reason for change: as Nanjing Panda Television Co., Ltd. is not included in the scope of consolidation for the year, there is a significant increase in its receivables in other receivables.

Five largest units with amounts due from:

Names of units	Amounts due from RMB	Due time	Reason
Nanjing Panda Television Co., Ltd.	181,814,470.94	Within 1 year	current amount
PEGL Wireless Telecommunications Company	7,885,727.53	Within 1 year	current amount
Xian Huajin Technology Trading Co., Ltd.	6,593,892.54	Within 1 year	advanced payment
Import & Export Department of Foreign Trading Company in Jiangsu Province	4,200,000.00	More than 3 years	current amount

Dongguan Panda Electronic Development Corporation	3,300,000.00	More than 3 years	loan
---	--------------	----------------------	------

## 7. Provision For Bad Debts

### Consolidated

	Provision for bad debts		Transfer to				
	Amount	2000.1.1	Total	bad debts	Transfer from	2000.12.31	
	RMB	RMB	RMB	RMB	RMB	RMB	
Accounts receivable	142,020,043.04	37,273,681.75	19,275,630.57	1,830,251.13	47,690,174.51	7,028,886.68	
Other receivables	274,624,422.65	17,896,035.95	24,104,717.51	169,310.00	19,003,141.12	22,828,302.34	
Total	416,644,465.69	55,169,717.70	43,380,348.08	1,999,561.13	66,693,315.63	29,857,189.02	

Bad debts transferred from for the year are the bad debts of companies which are not included in the scope of consolidation for the year.

## 8. Prepayment

### Consolidated

Age	2000.12.31		1999.12.31	
	Amount RMB	Percentage	Amount RMB	Percentage
1 Within 1 year	134,571,263.03	82.87	64,735,400.99	66.20
1-2 years	4,003,656.65	2.47	31,079,368.10	31.78
2-3 years	3,451,900.00	2.12	348,195.50	0.36
More than 3 years	20,366,679.68	12.54	1,628,194.78	1.66
Total	162,393,499.36	100.00	97,791,159.37	100.00

Account prepayable does not include any amount due from holders with 5% or above shareholding in the Company.

Reason for change: Change in scope of consolidation led to the write-off between the prepayment to Nanjing Panda Electronic Import/Export Company and the amount payable to such company impossible.

Five largest units with amounts due from:

Name of units	Amounts due from RMB	Due time	Reasons
Nanjing Panda Electronic Import/Export Company	131,326,842.51	Within 2 years	Material prepayment
Science and Technology Development Group Company of Jiangsu Province	2,839,910.30	Within 1 year	Material prepayment
Zhejiang Huangyan Yanjiang Mode Co. Ltd.	2,760,374.40	Within 3 years	Mould prepayment
Shanghai Overseas Transportation	2,307,680.13	More than 3 years	Material prepayment
Donghua Machinery Co., Ltd	1,561,597.00	Within 1 year	Material prepayment

## 9. Stocks and Provision for Devaluation of Stocks

### Consolidated

Type	2000.12.31		1999.12.31	
	RMB	Provision for inventory allowance RMB	RMB	Provision for inventory allowance RMB
Raw material	36,766,459.53	8,175,352.45	137,694,727.12	2,861,590.23
Work in progress	43,769,419.99	1,515,875.50	73,195,672.75	4,080,233.04
Finished products	31,625,564.85	3,199,770.13	507,643,194.08	37,698,998.06
Low value consumables	359,461.36	220,267.18	3,534,364.42	107,491.71
Sub-contracted materials	109,349.36	753.60	9,182,316.76	374,866.28
Semi-finished goods	2,576.50	*-	314,893.25	27,187.36
Self-manufactured	193,729.87	5,426.15	116,391.09	*-
Stored commodities	65,887,346.37	486,141.54	11,152,483.51	*-
Total	178,713,907.83	13,603,586.55	742,834,042.98	45,150,366.68

The realizable net value of the inventories above is determined based on the most recent market price less the associated expenses payable for the inventories on realization in the future.

Reason for change: change in scope of consolidation, mainly the disposal of 8 subsidiaries in relation to TV set business, led to a significant decrease of stocks.

## 10. Deferred Expenses

### Consolidated

Items	Opening balance	Increase	Amortisation	Closing balance
	RMB	RMB	RMB	RMB
Maintenance fees	*-	128,998.48	54,742.76	74,255.72
Rent	*-	140,000.01	103,333.33	36,666.68
Refurbishment expenses	369,466.80	58,059.44	427,526.24	*-
Mould fees	813,533.03	1,294,871.80	1,218,180.44	890,224.39
Advertising fees	268,888.89	12,674,792.20	366,118.89	12,577,562.20
Others	970,448.56	1,974,112.16	2,136,279.47	808,281.25
Total	2,422,337.28	16,270,834.09	4,306,181.13	14,386,990.24

## 11. Long Term Investment

### Consolidated

Long term equity investment is as follows:

Project	Opening balance	Amount during the year		Closing balance
		Increase	Decrease	
		RMB	RMB	
Other equity investment	400,297,786.14	387,663,694.27	134,677,969.37	653,283,511.04
Difference in equity Investment	*-	2,992,480.98	*-	2,992,480.98
Total	400,297,786.14	390,656,175.25	134,677,969.37	656,275,992.02

Reason for change: investment in Nanjing Ericsson Panda Communication Co., Ltd was adjusted by equity method and there are investments in Shenzhen Jinghua Electronic Co., Ltd. and Jiangsu Software Industrial Co., Ltd..

#### Investment amounts

Name of parties to be invested	Investment period	Adjustment		accumulated interest	Balance at year end	Shareholding Percentage
		Initial investment	to interest of the year			
	RMB	RMB	RMB	RMB	RMB	%
Nanjing Panda Electronic Advertising Company	1993.04-2001.04	600,000.00	127,564.75	(600,000.00)	*-	100.00%
Nanjing Panda Electronic Eastern Suburb Technology Department	未設定	500,000.00	(221,179.68)	(500,000.00)	*-	100.00%
Shenzhen Panda Golden Card Enterprise Co., Ltd.	1998.12-2018.12	3,600,000.00	(1,040,155.07)	(3,600,000.00)	)*-	60.00%
Nanjing Panda Chenguang Electronic Co., Ltd.	1998.06-2018.06	7,600,764.60	(1,279,542.01)	(7,600,764.60)	)*-	51.00%
Nanjing Ericsson Panda Communication Company Limited	1992.09-2022.09 43.00%	60,863,279.60	196,034,761.42	326,392,256.21	387,255,535.81	
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	1998.11-2018.11	34,769,364.00		21,063,002.94	20,415,993.85	55,185,357.85 35.00%



Investment amounts

Name of parties to be invested	Investment period	Initial investment	Adjustment to interest of the year	Adjustment to accumulated interest	Balance at year end	Shareholding Percentage
	RMB	RMB	RMB	RMB	RMB	%
Yizheng Panda Package Materials Company Limited	1993.06-2008.06	1,980,000.00	228,380.21	(1,980,000.00)	*-	30.00%
Panda Electronics Group Company Nanjing Package Materials Company Limited	1990.08-2005.08	1,500,000.00	(196,580.64)	1,151,506.25	2,651,506.25	30.00%
Wujing Panda Electronics Decoration Parts Associated Factory	1991.11-2001.11	600,000.00	(272,029.72)	(600,000.00)	*-	30.00%
Anhui Tongling Tongling Electronics Products Company Limited	1988.09-2000.09	600,000.00	300,000.00	(600,000.00)	*-	30.00%
Nanjing Sharp Electronics Company Limited	1996.03-2026.03	61,425,420.00		1,600,553.18	2,091,991.01	63,517,411.0130.00%
Nanjing ADC Boardband Communication Company Limited	1996.12-2016.12	9,951,600.00	(206,457.02)	(9,951,600.00)	*-	40.00%

## Investment amounts

Name of parties to be invested	Investment period	Initial investment	Adjustment		Balance at year end	Shareholding Percentage	
			to interest of the year	Adjustment to accumulated interest			
	RMB	RMB	RMB	RMB	RMB	%	
Beijing Fei Hong Electronics Co., Ltd.	1994.06-	1,200,000.00	*-	*-	1,200,000.00	9.60%	
Nanjing Panda Broadcasting Television Products Maintenance Centre	1989.07-	500,000.00	*-	(500,000.00)	*-	100.00%	
Nanjing Asia Pacific Satellite Communication Company	1994.02-	500,000.00	*-	(500,000.00)	*-	100.00%	
Nanjing Panda Computer Company Limited	1996.06-	4,950,000.00	*-	(4,950,000.00)	*-	100.00%	
Nanjing Lingyun Information Co., Ltd.	1998.08-2008.08	150,000.00	18,351.55	(19,663.43)	130,336.57	30.00%	
Shenzhen Jinghua Electronic Co., Ltd.	1984.05-2034.05	69,687,437.75		367,642.42	367,642.42	70,055,080.17	38.03%
Jiangsu Software Industrial Co., Ltd	未設定	69,300,000.00	*-	*-	69,300,000.00	35.00%	
Intenna (Nanjing) Co., Ltd	2000.10-2020.10	700,000.00	*-	*-	700,000.00	35.00%	

## Investment amounts

Name of parties to be invested	Investment period	Initial investment	Adjustment		Balance at year end	Shareholding Percentage
			to interest of the year	Adjustment to accumulated interest		
	RMB	RMB	RMB	RMB	RMB	%
Beijing Zhong Shi Lian Digit System Co., Ltd.	未設定	360,000.00	*-	*-	360,000.00	
Huan Hengyang Xianfeng Industrial Co., Ltd.	未設定	500,000.00	*-	*-	500,000.00	
Nanjing Lianhua Nanpu New Painting Co., Ltd.	1995.12-2005.12	1,000,000.00	*-	*-	1,000,000.00	33.33%
Shanghai Zhongtong Information Network Co., Ltd.	2000.05-2010.05	450,000.00	(425,182.02)	(425,182.02)	24,817.98	45.00%
Other investment reflected at cost		1,403,465.40			1,403,465.40	
Total		334,691,331.35		216,099,130.31	318,592,179.69	653,283,511.04

**(ii) Difference in equity investment**

Name of parties to be invested	Period of amortisation	Initial amount RMB	Balance at year end RMB	Reason
Nanjing Panda Mechanical Engineering Plant	10 years	511,756.61	511,756.61	Difference in equity acquired
Nanjing Panda Accurate Machinery Co., Ltd.	20 years	(345,678.70 )	(345,678.70 )	Difference in equity acquired
Shenzhen Jinghua Electronic Co., Ltd.	10 years	2,826,403.07	2,826,403.07	Difference in equity acquired
Total			2,992,480.98	2,992,480.98

Item	Opening	Amount during the year		Closing
	balance	Amount	Increase	Decrease
	Amount			Amount
	RMB	RMB	RMB	RMB
Other equity investment	606,781,817.35	274,981,452.49	134,277,969.37	747,485,300.47
Difference in equity investment	*-	3,338,159.68	*-	3,338,159.68
Total	606,781,817.35	278,319,612.17	134,277,969.37	750,823,460.15

**(i) Other equity investment**

Name of parties to be invested	Investment period	Initial investment	Investment amounts		Balance at year end	Shareholding Percentage
			Adjustment to interest of the year	Adjustment to accumulated interest		
	RMB	RMB	RMB	RMB	RMB	%
Nanjing Panda Mechanical Engineering Plant	1999.05-2023.12	30,042,016.46	123,121.54	123,121.54	30,165,138.00	99.00%
Nanjing Panda Appliance & Apparatus Co., Ltd	2000.09-2020.09	700,000.00	(82,987.20)	(82,987.20)	617,012.80	70.00%
Nanjing Panda Electronic Material Co., Ltd	1998.05-2028.04	500,000.00	(381,918.39)	(785,327.34)	(285,327.34)	94.34%
Nanjing Panda Electronic System Engineering Co.	1991.01-	200,000.00	(416,291.08)	(928,559.21)	(728,559.21)	100.00%
Nanjing Panda Electronic Advertising Company	1993.04-2001.04	600,000.00	127,564.75	(600,000.00)	*-	100.00%
Nanjing Panda Electronic Eastern Suburb Technology Department	未設定	500,000.00	(221,179.68)	(500,000.00)	*-	100.00%
Shenzhen Panda Electronics Co., Ltd.	1995.12-2012.12	6,175,000.00	(879,485.58)	(1,810,785.68)	4,364,214.32	95.00%

Nanjing Panda International Telecommunications System Co., Ltd.	1993.10-2003.10	7,655,000.00	14,569,897.64	(53,604.08)	7,601,395.92	72.00%
Nanjing Guanghua Electronic Plastic Installing Plant	1988.01-2007.12	8,448,300.00	4,752,219.20	25,087,175.24	33,535,475.24	71.94%
Nanjing Panda Technology Equipment Co., Ltd.	1998.10-2013.10	3,500,000.00	1,175,120.99	1,184,005.38	4,684,005.38	90.00%
Shenzhen Panda Golden Card Enterprise Co., Ltd.	1998.12-2018.12	3,600,000.00	(1,040,155.07)	(3,600,000.00)	*-	60.00%
Nanjing Panda Information Industry Co., Ltd.	1998.07-2028.07	21,000,000.00	(2,071,981.83)	(5,726,747.66)	15,273,252.34	72.00%

**(i) Other equity investment**

Name of parties to be invested	Investment period	Investment amounts		Adjustment to interest of the year	Adjustment to accumulated interest	Balance at year end	Shareholding Percentage
		Initial investment	Investment				
		RMB	RMB	RMB	RMB	RMB	%
Nanjing Panda Chenguang Electronic Co., Ltd.	1998.06-2018.06	7,600,764.60		(1,279,542.01)	(7,600,764.60)	*-	51.00%
Nanjing Ericsson Panda Communication Company Limited	1992.09-2022.09	60,863,279.60		196,034,761.42	326,392,256.21	387,255,535.81	43.00%
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	1998.11-2018.11	34,769,364.00		21,063,002.94	20,415,993.85	55,185,357.85	35.00%
Yizheng Panda Package Materials Company Limited	1993.06-2008.06	1,980,000.00		228,380.21	(1,980,000.00)	*-	30.00%

Panda Electronics Group Company Nanjing Package Materials Company Limited	1990.08-2005.08	1,500,000.00	(196,580.64)	1,151,506.25	2,651,506.25	30.00%
Wujing Panda Electronics Decoration Parts Associated Factory	1991.11-2001.11	600,000.00	(272,029.72)	(600,000.00)	*-	30.00%
Anhui Tongling Tongling Electronics Products Company Limited	1988.09-2000.09	600,000.00	300,000.00	(600,000.00)	*-	30.00%
Nanjing Sharp Electronics Company Limited	1996.03-2026.03	61,425,420.00	1,600,553.18	2,091,991.01	63,517,411.01	30.00%
Nanjing Package Materials Company Limited	1996.12-2016.12	9,951,600.00	(206,457.02)	(9,951,600.00)	*-	40.00%
Beijing Fei Hong Electronics Co., Ltd.	1994.06-	1,200,000.00	*-	*-	1,200,000.00	9.60%

Investment amounts

Name of parties to be invested	Investment period RMB	Initial investment RMB	Adjustment to interest of the year RMB	Adjustment to accumulated interest RMB	Balance at year end RMB	Shareholding Percentage %
Nanjing ADC Boardband Communication Company Limited	1989.07-	500,000.00	*-	(500,000.00)	*-	100.00%
Nanjing Asia Pacific Satellite Communication Company	1994.02-	500,000.00	*-	(500,000.00)	*-	100.00%
Nanjing Panda Computer Company Limited	1996.06-	4,950,000.00	*-	(4,950,000.00)	*-	100.00%

Nanjing Lingyun Information Co., Ltd.	1998.08-2008.08	150,000.00	18,351.55	(19,663.43)	130,336.57	30.00%
Shenzhen Jinghua Electronic Co., Ltd.	1984.05-2034.05	69,687,437.75	367,642.42	367,642.42	70,055,080.17	38.03%
Jiangsu Software Industrial Co., Ltd.	未設定	69,300,000.00	*-	*-	69,300,000.00	35.00%
Intenna (Nanjing) Co., Ltd.	2000.10-2020.10	700,000.00	*-	*-	700,000.00	35.00%
Beijing Zhang Shi Lian Digit System Co., Ltd.	未設定	360,000.00	*-	*-	360,000.00	
Hunan Hengyang Xianfeng Industrial Co., Ltd.	未設定	500,000.00	*-	*-	500,000.00	
Other investment reflected at cost		1,403,465.36	*-	*-	1,403,465.36	
Total		411,461,647.77	233,312,007.62	336,023,652.70	747,485,300.47	

<b>Name of parties to be invested</b>	<b>Period of amortisation</b>	<b>Initial amount RMB</b>	<b>Balance at year end RMB</b>	<b>Reason</b>
Nanjing Panda Mechanical Engineering Plant	10 years	511,756.61	511,756.61	Difference in equity acquired
Shenzhen Jinghua Electronic Co., Ltd	10 years	2,826,403.07	2,826,403.07	Difference in equity acquired
合計		3,338,159.68	3,338,159.68	

## 12. Fixed Assets and Accumulated Depreciation

### Consolidated

Classification of fixed assets	2000.1.1 RMB	Increase RMB	Decrease RMB	2000.12.31 RMB
At cost				
Building and premises	387,270,800.24	23,336,434.58	52,857,773.47	357,749,461.35
Machinery and equipment	237,031,105.25	15,494,857.77	119,766,346.38	132,759,616.64
Transportation	33,753,265.95	2,370,609.70	29,772,394.57	6,351,481.08
Other equipment	77,108,313.04	7,687,353.26	35,455,758.97	49,339,907.33
Total	735,163,484.48	48,889,255.31	237,852,273.39	546,200,466.40
Accumulated depreciation				
Building and premises	63,962,441.15	20,451,692.87	17,634,753.77	66,779,380.25
Machinery and equipment	94,714,802.78	30,123,188.38	53,240,690.47	71,597,300.69
Transportation	13,632,031.73	3,073,241.78	12,848,258.37	3,857,015.14
Other equipment	42,855,347.53	9,875,989.74	25,103,122.80	27,628,214.47
Total	215,164,623.19	63,524,112.77	108,826,825.41	169,861,910.55
Net value	519,998,861.29			376,338,555.85

The above fixed assets included those fixed assets transferring from construction in progress in the year which amounted to RMB543,922.25. In order to obtain bank loans, the Company put some premises of the above fixed assets as mortgage with a valuation of RMB121,490,000. Please refer to note(10) for details. Decrease of fixed assets is mainly attributable to change in scope of consolidation.



### 13. CONSTRUCTION IN PROGRESS

Opening Project	balance (Including: capitalised interest) RMB	Increase in the year (Including: capitalised interest) RMB	Transfer to fixed asset (Including: capitalised interest) RMB	Other decreases (Including: capitalised interest) RMB	Closing balance (Including: capitalised interest) RMB	Source of fund	Progress
Jiangning base	16,153,728.45	*-	*-	*-	16,153,728.45	Fund raising	15%
Special section project	1,968,548.53	454,332.95	543,922.25	84,280.00	1,794,679.23	Other sources	45%
Other	2,266,061.21	390,058.50	*-	*-	2,656,119.71	Other sources	
Total	20,388,338.19	844,391.45	543,922.25	84,280.00	20,604,527.39		

### 14. Intangible Assets

#### Consolidated

Type	Original amount RMB	Opening balance RMB	Increase in the year RMB	Transfer to this year RMB	Amortised in the year RMB	Closing balance RMB	Remaining period for amortisation
Land use right	42,415,706.10	38,791,555.56	*-	10,016,609.58	757,405.61	28,017,540.37	43.6 years
Trademark use right	155,140,000.00	97,772,500.00	200,000.00	*-	15,605,667.00	82,366,833.00	5.3 years
Total	197,555,706.10	136,564,055.56	200,000.00	10,016,609.58	16,363,072.61	110,384,373.37	

## 15. Pre-operating expenses

### Consolidated

Name of project	Opening balance RMB	Increase in the year RMB	Transfer to this year RMB	Amortised in the year RMB	Closing balance RMB
Pre-operating expenses	2,952,656.80	78,937.04	1,798,481.20	777,992.99	455,119.65

## 16. Long term deferred expenses

### Consolidated

Name of project	Opening balance RMB	Increase in the year RMB	Amortised in the year RMB	Closing balance RMB
Expense for increasing capacity of hydro-electricity	6,552,796.25	*-	1,141,155.00	5,411,641.25
Technological renovation	3,561,551.92	17,487,407.87	3,561,551.92	17,487,407.87
Loss arising from investment in ENC foreign exchange	5,850,000.00	*-	1,950,000.00	3,900,000.00
Others	1,822,546.58	267,785.54	270,781.06	1,819,551.06
Total	17,786,894.75	17,755,193.41	6,923,487.98	28,618,600.18

## 17. Short Term Loans

### Consolidated

2000-12-31 1999-12-31

	Principal	RMB	Loan period	Monthly interest rate	Principal	RMB
Bank loans				%0		
Including: Security (Note (10))	RMB91,400,000.00	91,400,000.00	2000.08-2001.09	5.361	RMB85,000,000.00	85,000,000.00
Guarantee	RMB441,530,000.00	441,530,000.00	1999.04-2001.11	5.361-6.105	RMB277,370,000.00	277,370,000.00

				USD2,253,533.37	18,677,074.01
Banking facilities	RMB500,000.00	500,000.00	2000.05-2001.01	5.3625	RMB131,000,000.131,000,000.00
Total		533,430,000.00			512,047,074.01

Overdue guaranteed loan totalled RMB12,780,000, details of which are as follows:

<b>Name of bank</b>	<b>Amount RMB</b>	<b>Period</b>
Shi Men Kan Business Department, Nanjing Branch, Agricultural Bank of China	5,550,000.00	1999.04.19-2000.04.18
Shi Men Kan Business Department, Nanjing Branch, Agricultural Bank of China	2,400,000.00	1999.09.14-2000.08.14
Shi Men Kan Business Department, Nanjing Branch, Agricultural Bank of China	2,130,000.00	1999.06.09-2000.05.08
Nanjing Shi Men Kan Rural Credit Union	1,900,000.00	1999.11.26-2000.08.20
Nanjing Shi Men Kan Rural Credit Union	800,000.00	1999.06.24-2000.02.20

## **18. Bills Payable**

### **Consolidated**

Bills payable does not include any amount due to holders with 5% or above shareholding in the Company.

## **19. Accounts Payable**

### **Consolidated**

Accounts payable does not include any amount due to holders with 5% or above shareholding in the Company.

Reason for change: change in scope of consolidation, mainly the disposal of 8 subsidiaries in relation to TV set business, led to a significant decrease in accounts payable.

## 20. Receipts in Advance

### Consolidated

Receipts in advance do not include any amount due to holders with 5% or above shareholding in the Company.

## 21. Other Payables

### Consolidated

Other payables do not include any amount due to holders with 5% or above shareholding in the Company. Please refer to Note(7)9 for details.

## 22. Taxes Payable

### Consolidated

Type	2000.12.31 RMB	1999.12.31 RMB
Value added tax (VAT)	36,010,723.97	23,696,567.75
Business tax	2,023,600.98	1,215,019.95
City maintenance tax	19,458,950.84	20,698,560.80
Education surcharge	2,794.41	4,175.78
Enterprise income tax	4,849,667.70	3,618,256.66
Deduction and advance payment for personal income tax	(777,692.47)	(739,533.78)
Land use tax	748,000.00	748,000.00
Property tax	2,642,808.47	2,230,701.81
Transportation use tax	5,780.00	5,780.00
Stamp tax	(69,144.80)	(1,479.24)
Total	64,895,489.10	51,476,049.73

## 23. Accrued Expenses

### Consolidated

Items	2000-12-31	1999-12-31	Nature of closing balance
Returns from sale	*-	340,000.00	Returns from sale payable
Interest	416,685.11	3,192,548.07	Loan interest payable
Rent	702,985.33	2,054,410.00	Rent payable
Intermediaries' remuneration	4,200,000.00	3,800,000.00	Intermediaries' remuneration
Processing fee	326,319.25	2,113,331.75	Unsettled processing fee
Advertising fee	823,794.90	377,636.00	Unsettled advertising fee
Repair fee	14,858.48	579,288.69	Unsettled repair fee
Others	565,859.21	2,933,979.06	
Total	7,050,502.28	15,391,193.57	

## 24. Share Capital

### Consolidated

Items	Opening Balance in the year RMB	Closing balance in the year RMB
I. Non-circulating shares:		
1. Promoter's shares (including: state-owned shares)	355,015,000.00 355,015,000.00	355,015,000.00 355,015,000.00
II. Circulating shares:		
1. Domestic-listed RMB ordinary shares	58,000,000.00	58,000,000.00
2. Overseas-listed foreign investment shares	242,000,000.00	242,000,000.00
Total	300,000,000.00	300,000,000.00
III. Total number of shares	655,015,000.00	655,015,000.00

The net assets per ordinary shares calculated on the number of ordinary shares on the balance sheet date was RMB1.215.

The above paid-up share capital was audited by Nanjing Certified Public Accountants.

## 25. Capital Reserve

### Consolidated

Items	Opening balance RMB	Increase in the year RMB	Closing balance RMB
Share premium	389,403,775.96	*-	389,403,775.96
Provision for acceptance of asset donation	39,077.80	*-	39,077.80
Provision for increase in asset valuation	88,983,070.14	*-	88,983,070.14
Provision for equity investment	*-	23,451.31	23,451.31
Exchange difference in foreign capital in invest units	(5,043.30)	*-	(5,043.30)
Total	478,420,880.60	23,451.31	478,444,331.91

Increase in capital reserve is the difference between the asset fair value and its book value of the investment in Nanjing Panda Appliance & Apparatus Co., Ltd. by fixed assets, net of payable income tax.

## 26. Surplus Reserve

### Consolidated

Items	Opening balance RMB	Closing balance RMB
Statutory surplus reserve	79,335,096.48	79,335,096.48
Public welfare fund	38,425,804.72	38,425,804.72
Discretionary surplus reserve	70,376,641.33	70,376,641.33
Total	188,137,542.53	188,137,542.53

## 27. Undistributed Profit

Item	Opening balance RMB	Increase in the year RMB	Closing balance RMB
Undistributed profit	(658,254,231.04)	132,823,413.96	(525,430,817.08)

## 28. Income and cost of principal activities

### Consolidated

Industry	Income from principal activities		Cost of principal activities		Gross profit of principal activities	
	2000	1999	2000	1999	2000	1999
	RMB	RMB	RMB	RMB	RMB	RMB
Industrial enterprises	935,464,185.93	1,417,342,671.43	872,417,708.19	1,330,661,122.65	63,046,477.74	86,681,548.78
Commodities circulation	281,790,878.77	*-	241,321,115.71	*-	40,469,763.06	*-
Others	6,584,440.11	10,327,063.30	6,327,940.82	7,253,456.79	256,499.29	3,073,606.51
Total	1,223,839,504.81	1,427,669,734.73	1,120,066,764.72	1,337,914,579.44	103,772,740.09	89,755,155.29

### The Company

Industry	Income from principal activities		Cost of principal activities		Gross profit of principal activities	
	2000	1999	2000	1999	2000	1999
	RMB	RMB	RMB	RMB	RMB	RMB
Sale of products	32,379,716.88	753,304,491.46	35,112,423.30	727,356,783.70	(2,732,706.42)	25,947,707.76

## 29. Financial Expenses

### Consolidated

Type	2000 RMB	1999 RMB
Interest expenses	59,932,793.34	68,339,943.98
Less: interest income	(6,637,983.94)	(5,359,773.57)
Exchange loss	55,213.86	39,506.11
Less: exchange gain	*-	(76,170.41)
Others	1,181,028.66	3,006,690.83
Total	54,531,051.92	65,950,196.94

## 30. Investment Income

### Consolidated

Type	2000 RMB	1999 RMB
Income from equity investment	970,000.00	*-
Income from debt investment	264.62	4,173.00
Net adjusted increase in owner's equity in invested company at year end	222,230,550.83	160,179,900.14
Disposal of income from long term equity investment*	18,089,138.26	*-
Total	241,289,953.71	160,184,073.14

\* It includes the income from disposal of 8 subsidiaries in relation to TV set business of RMB18,039,244.79.

Reason for change: Profit of associated companies increased significantly from last year and certain long term equity investment was disposed.



## The Company

Type	2000 RMB	1999 RMB
Net increase of shareholders' equity in investee companies adjusted at year end	193,205,428.20	8,776,568.98
Disposal of income from long term equity investment	18,089,138.26	*-
Total	211,294,566.46	8,776,568.98

### 31. Non-operating income

Non-operating income includes the gain on assets transfer of RMB1,029,538.70. Please refer to note (7) for details.

**32. The payment of RMB124,907,517.64 in cash in relation to other non-operating expenses is mainly for operating expense and administrative expense.**

**33. The payment of RMB24,430,528.09 in cash in relation to other financing activities is the discounted expenditure of bills payable.**

### 34. Acquisition of subsidiaries

Item	Amount RMB
Purchase price	30,553,773.01
Repayment in cash of the purchase price	*-
Cash received from acquisition of subsidiaries	445,061.58
Non-cash assets: stocks	10,709,439.70
fixed assets, at cost	40,924,851.47
less: accumulated depreciation	16,771,951.57
long term investment	654,321.30
Liabilities: short term loan	6,330,000.00
account payable	7,318,053.91

### 35. Disposal of subsidiaries

Item	Amount RMB
Disposal price	123,343,655.73
Repayment in cash of the disposal price	55,543,000.00
Decrease of cash from the disposal of subsidiaries	307,726,935.56
Non-cash assets: stocks	527,914,123.29
fixed assets, at cost	207,964,650.23
less: accumulated depreciation	99,033,134.36
long term investment	364,000.00
other assets	12,033,661.67
Liabilities: short term loan	89,630,000.00
account payable	480,777,612.95

### (6) DEFERRED TAX

Item	2000.12.31 RMB	1999.12.31 RMB
Deferred tax	11,550.64	*-

Reason for formation: The deferred tax payable of the Company is calculated on the basis of the difference between the fair value and book value of the fixed assets invested in Nanjing Panda Appliance & Apparatus Co., Ltd. as capital.

### (7) RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

#### A. Related parties

1. Related parties with the Company, including the associated companies with controlling relationship set out in note (4)1 to the financial accounts, shareholders of the Company who have controlling relationship and related parties without controlling relationship.

(i) Related parties with controlling relationship is shown as follows:

Registered Name	Registered address	Shareholding capital RMB	Principal in the Company	Principal activities	Corporate Relationship	Legal Nature	Representative
Panda Electronic Group Limited	Nanjing	980,000,000.00	54.1995%	wireless communication equipment	parent telecom-	state-owned company	Xi Yongming

(ii) The registered capital of related parties with controlling relationship remained unchanged, as set out in note (4)1 and (7)1 (i).

(iii) The share and interest held by related parties with controlling relationship remained unchanged, as set out in note (4)1 and (7)1 (i).

## 2. Related parties without controlling relationships

Name of the company	Relationships with the Company
Nanjing Panda Electronic Import/Export Company	under the same parent company
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	associated company
Dongguan Panda Electronic Development Corporation	under the same parent company
Nanjing Panda Lianhua Electronic Plant	under the same parent company
Panda Electronic Group Packing Material Plant	associated company
PEGL Wireless Telecommunications Company	under the same parent company
Nanjing Panda Industrial and Trading Co. Ltd	under the same parent company
Nanjing Zijing Wireless Electronic Plant	under the same parent company
Nanjing Le Jin Panda Electrical Appliance Co., Ltd.	under the same parent company
Nanjing Zhenhua Hi-fi Equipment Plant	under the same parent company
21st Century Plaza	under the same parent company
Nanjing Sharp Electronic Co., Ltd.	associated company
Wujin County Panda Electronic Decoration Joint Plant	associated company
Panda Electronic Group Duantong Company	under the same parent company
Panda Electronic Group Property Management Company	under the same parent company

## **B. Consolidated related party transactions**

### **1. Provision of services**

The Company provided labour service to related parties for the years 2000 and 1999. The details are set out as follows:

Name of related parties	<b>2000</b> <b>RMB</b>	1999 RMB
Panda Electronic Group Ltd.	554,626.14	4,029,504.82
Panda Electronic Group Duantong Company	3,181,577.33	3,059,395.24
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	4,921,104.91	*-
2121st Century Plaza	1,184,383.83	*-

Price policy: fair market price

### **2. Receipt of Services**

The Company received labour service from related parties for the years 2000 and 1999. The details are set out as follows:

Name of related parties	<b>2000</b> <b>RMB</b>	1999 RMB
Panda Electronic Group Ltd.	6,670,930.00	9,623,121.61

Price policy: fair market price

### **3. Purchase of material**

The material purchased by the Company from related parties for the years 2000 and 1999 are set out as follows:

Name of related parties	<b>2000</b> <b>RMB</b>	1999 RMB
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	290,900,766.98	*-
PEGL Wireless Telecommunications Company	*-	1,332,302.43

Nanjing Zhenhua Hi-fi Equipment Plant	2,031,795.65	1,283,303.57
Panda Electronic Group Packing Material Plant	435,952.97	2,415,548.08

Price policy: fair market price

#### 4. Sale of products

The material sold by the Company to the related parties for the years 2000 and 1999 are as follows:

Name of related parties	<b>2000</b>	1999
	<b>RMB</b>	<b>RMB</b>
Panda Electronic Group Duantong Company	765,897.32	1,082,422.90
Panda Electronic Group Limited	1,640,939.71	*_
Nanjing Panda Electronic Import/Export Company	1,548,376.00	*_
Nanjing Sharp Electronics Co., Ltd.	1,996,893.13	*_
Nanjing Le Jin Panda Electrical Appliance Co., Ltd.	7,256,060.49	*_

Price policy: fair market price

#### 5. Import agency

The import handled by the Company as agent of related parties for the years 2000 and 1999 are set out as follows:

Name of related parties	<b>2000</b>	1999
	<b>RMB</b>	<b>RMB</b>
Nanjing Panda Electronic Import/Export Company	1,773,934.94	1,686,683.70

Price policy: fair market price

#### 6. Lease of houses

The lease of houses to the related parties for the years 2000 and 1999 are set out as follows:

Name of related parties	2000 RMB	1999 RMB
Panda Electronic Group Property Management Company	707,624.38	*-
Nanjing Zhenhua Hi-fi Equipment Plant	454,624.54	*-

Price policy: fair market price

#### 7. Other material connected transactions

- (i) During the year, PEGL provided a guarantee for the Company in respect of a bank loan of RMB329,480,000.00.
- (ii) It was passed by way of resolution at the extraordinary general meeting of the Company for 2000 that the Company transferred 6 units assets in relation to TV set business to PEGL for a consideration of RMB45,946,000 and the gain from the transfer is RMB1,029,500.
- (iii) It was passed by way of resolution at the extraordinary general meeting of the Company for 2000 that the Company transferred its interests in 8 independent legal person units in relation to TV set business to PEGL for a consideration of RMB121,970,000 and the gain from the transfer is RMB18,039,200.
- (iv) It was passed by way of resolution at the extraordinary general meeting of the Company for 2000 that the Company was transferred a 38.03% interest in Shenghen Jinghua Electronic Co., Ltd. and a 99% interest in Nanjing Panda Mechanical Engineering Plant from PEGL for a total consideration of RMB112,373,000.
- (v) Lease of houses: According to a tenancy agreement entered into between the Company and PEGL on 18th March, 1996 and a supplementary agreement entered into on 20th October, 2000, the Company leases factory premises of a total gross floor area of 8,626.81 sq.m. located at 301 Zhong Shan Road East, Nanjing to PEGL until March, 2006 for an annual rent of RMB1,192,300 payable annually.

8. Balance of accounts receivable and payable to related parties

Items	Amount		Percentage of each of the balance	
	2000.12.31	1999.12.31	2000.12.31	1999.12.31
	RMB	RMB	%	%
Accounts receivable:				
Nanjing Panda Television Co., Ltd.*	34,965,318.19	*-	24.62	*-
Nanjing Le Jin Panda Electrical Appliance Co., Ltd	1,873,373.62	*-	1.32	*-
Advance payment:				
Nanjing Panda Electronic Import/Export Company*	131,326,842.51	34,194,738.01	80.87	34.97
Other receivables:				
Dongguan Panda Electronic Development Corporation	3,300,000.00	3,300,000.00	1.20	3.17
PEGL Wireless Telecommunication Co. Ltd	7,885,727.53	5,931,007.61	2.87	5.69
Nanjing Panda Television Co., Ltd.*	181,814,470.94	*-	66.20	*-
Panda Electronic Group Duantong Company	1,192,035.75	*-	0.43	*-

8. Balance of accounts receivable and payable to related parties

Items	Amount		Percentage of each of the balance	
	2000.12.31	1999.12.31	2000.12.31	1999.12.31
	RMB	RMB	%	%
Nanjing Ericsson Panda Mobile Terminals Co., Ltd.	66,591,885.42	*-	52.93	*-
Wujin County Panda Electronic Decoration Joint Plant	*-	2,815,646.93	*-	0.58
Panda Electronic Group Packing Material Plant	*-	3,241,412.87	*-	0.67
Nanjing Panda Lianhua Electronic Plant	*-	5,757,585.85	*-	1.19
Nanjing Panda Industrial and	*-	2,125,569.81	*-	0.44

Trading Co. Ltd				
Nanjing ZijingWireless	*-	8,103,223.69	*-	1.68
Electronic Plant				

Other payable:

PEGL	48,533,441.99	*-	36.79	*-
Panda Electronic Group Property Management Company	1,631,398.02	*-	1.24	*-

\*: The above amount is attributable to the transfer from Nanjing Panda Television Co., Ltd., a subsidiary of the Company, to PEGL in 2000. The Company is disposing of the amount and it will be completed very soon.

## **(8) COMMITMENT**

As at 31st December, 2000, the capital commitment contracted by the Company but not included in the financial statements are as follows:

1. The Company will have to pay the balance of RMB60,045,000.00 as cost of land use right to acquire the land use right of Jiangning Development Zone with total area of 467,000 square meters.
2. The Company jointly established Nanjing Panda Unit-board Installation Co. Ltd with Hong Kong Kangmao Development Co. Ltd. The Company has to invest the balance of RMB8,676,000.00 to this project.
3. The Company jointly established Nanjing Panda Electronic Plastic Co. Ltd with Hong Kong Kangmao Development Co. Ltd. The Company still has to invest the balance of RMB3,070,000.00 to this project.
4. The Company jointly established Intenna (Nanjing) Co., Ltd. with Sweden Intenna AB Company and Hong Kong Yung-Shing Enterprise Co., Ltd. The Company has to invest the balance of RMB2,800,000.00 to this project.



## **(9) CONTINGENT ISSUES**

- (1) As at 31st December, 2000, the Company provided guarantees in respect of acceptance of RMB170,000,000.00 for Nanjing Panda Television Co., Ltd., an independent third party of the Company, (subject to approval at Extraordinary General Meeting in 2000) and acceptance of RMB50,000,000.00 for Nanjing Cantai Electronic Co., Ltd; 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 bank loan of RMB25,000,000.00 and acceptance of RMB10,000,000.00 for Nanjing Jie Xun Moblie Telecommunications Equipment Co., Ltd.; acceptance of RMB10,000,000.00 for Jiangsu Tian Chuang Communication Industrial Co., Ltd.; and acceptance of RMB380,000,000.00 for PEGL Wireless Telecommunications Company.
- (2) As at 31st December, 2000, discounted bank acceptance with recourse amounted to RMB15,500,000.00.

## **(10) NOTES TO THE ASSETS SECURITY**

1. The Company secured the property situated in Xiaolingwei Street, No. 191 of Xiaowei Street and No.19 of Dongjiang Road in Qixia District except the buidling No. 17-1 and 17-2 stated in Document No. Quan Zheng Xuan Bian Zi No. 60075 (total construction area of 46,075.40 square meters, valued at Rmb121,490,000) for the bank loan of Rmb85,000,000.00 from business department of Jiangsu Province branch, Industrial and Commercial Bank of China. The loan term was from 26th September, 2000 to 25th September, 2001.
2. Nanjing Panda Information Industry Co., Ltd., a subsidiary of the Company, placed its fixed deposit of USD800,000.00, equivalent to RMB6,622,480.00 as pledge for the loan of RMB6,400,000.00 from Nanjing branch, China Merchant Bank. The period for the pledge is from 16th August, 2000 to 16th August, 2001.

## **(11) SUBSEQUENT EVENTS**

No Subsequent events are disclosed.

## **(12) DEBT REORGANISATION**

As at 31st December, 2000, there is no debt reorganisation.

## **(13) OTHER MATERIAL MATTERS**

Pursuant to the asset reorganisation agreement entered into between the Company and PEGL on 9th October, 2000 and the approval at the Extraordinary General Meeting in 2000, the Company will dispose of its interests in 8 subsidiaries in relation to TV set business and assets in 6 internal independent audit units to PEGL, a shareholder of the Company and was transferred interests in Nanjing Panda Mechanical Engineering Plant and Shenzhen Jinghua Electronic Co., Ltd. from PEGL. For details, please refer to "Connected Transaction Announcement of Nanjing Panda Electronics Company Limited" published in "China Securities Journal" on 10th October, 2000.

Save as Nanjing Panda Television Co., Ltd., business registration procedures of all the other above-mentioned companies have been being made.

The Company's and consolidated financial statements and notes for 2000 are in conformity with the "Accounting Regulations for Enterprises" and "Accounting Regulations of the People's Republic of China for Joint Stock Companies" and relevant regulations and supplementary regulations.