

## V. Significant Events

1. The Company resolved that no interim dividend will be distributed to shareholders and no reserve will be transferred to increase the share capital for the period ended 30th June 2001.
2. No dividend was paid and no reserve was transferred to increase the share capital of the Company in the first half of the year.
3. The Company was not engaged in any litigation or arbitration of material importance during the reporting period.
4. The Company was not involved in any acquisition, merger or assets reorganization of material importance during the reporting period.
5. During the reporting period, all of the Company's connected transactions were conducted in normal and usual course of business and were undergone on normal commercial terms. Please refer to the notes to the financial statements.
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. At the Annual General Meeting held on 29th June 2001, it was approved that Horwath Hong Kong CPA Limited, Hong Kong Certified Public Accountants, be appointed

as the international auditors of the Company for 2001; and Zhong Tian Qin Certified Public Accountants be appointed as the PRC auditors of the Company for 2001.

8. As at 30th June 2001, the Company provided guarantees in respect of acceptance of bills of exchange of RMB50 million for Nanjing Cantai Electronic Co., Ltd., an independent third party of the Company, and bank loan of RMB80 million for Nanjing Zhongda Mode (Group) Co., Ltd.

9. During the reporting period, neither the Company nor any shareholder holding 5% or more shareholding disclosed commitment in designated newspapers and web-sites.

10. Other Matters :

(1) Trust Deposit

During the period, the Company had no arrangement for trust deposit nor any time deposits which could not be collected upon maturity. The trust deposit of RMB120 million placed with Jiangsu Xingsheng Investment Management Co., Ltd. as disclosed in 2000 annual report was recovered early August 2001.

(2) Unified profit tax and abolishment of preferential treatment

The Company was registered within Nanjing High and New Technology Development Zone and is considered as a high and new technology enterprise of the development zone. Therefore, it enjoys a preferential income tax rate of 15%. At present, the Company still enjoys the benefit of this preferential policy.

(3) Staff Quarters

In respect of the purchases of staff quarters by employees of the Company, such staff quarters are owned by PEGL and are provided to the respective employees of the Company in accordance with State and Nanjing Municipal policies. The Company has not been involved in the selling of staff quarters to its employees and renting staff quarters for its employees from the holding company as at 30th June 2001.