

VI. Summary of Financial Statements

(Prepared under the Accounting Regulations of the People's Republic of China for Joint Stock Companies)

(1) Audit Report

The interim financial and accounting report of the Company for 2001 was audited by Zhong Tian Qin Certified Public Accountants who issued a standard unqualified audit report.

(2) Financial Statements

Balance Sheet

As at 30th June 2001

| Assets | 30th June 2001 | | 31st December 2000 | |
|--|---------------------|----------------|---------------------|----------------|
| | Consolidated RMB | Company RMB | Consolidated RMB | Company RMB |
| Current assets: | | | | |
| Cash and bank balances | 806,369,415.51 | 615,818,088.49 | 402,777,088.94 | 247,756,420.60 |
| Short term investment | 151,181,226.37 | 120,000,000.00 | 120,987,125.95 | 120,000,000.00 |
| Bills receivable | 7,264,158.89 | - | 3,615,768.55 | - |
| Dividends receivable | 7,439,514.89 | 7,439,514.89 | 7,439,514.89 | 7,439,514.89 |
| Accounts receivable | 121,695,460.52 | 7,802,293.82 | 134,991,156.36 | 7,235,274.22 |
| Other receivables | 72,436,976.11 | 81,319,897.81 | 251,796,120.31 | 238,564,291.14 |
| Prepayments | 66,389,273.36 | 51,623,577.09 | 162,393,499.36 | 144,050,782.67 |
| Inventories | 122,613,469.23 | 27,510,930.07 | 165,110,321.28 | 27,690,592.15 |
| Deferred expenses | 10,885,373.57 | 881,921.51 | 14,386,990.24 | 504,420.29 |
| Net loss on deferred handling of current assets | - | - | 37,348.13 | - |
| Total current assets | 1,366,274,868.45 | 912,396,223.68 | 1,263,534,934.01 | 793,241,295.96 |
| Long term investments: | | | | |
| Long term equity investments, net | 798,635,803.52 | 896,900,175.03 | 656,275,992.02 | 750,823,460.15 |
| Fixed assets: | | | | |
| fixed assets, at cost | 543,686,310.26 | 412,018,004.38 | 546,200,466.40 | 419,054,184.88 |

| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Less: accumulated depreciation | 169,334,226.68 | 107,321,887.30 | 162,722,116.85 | 105,021,119.80 |
| Fixed assets, net | 374,352,083.58 | 304,696,117.08 | 383,478,349.55 | 314,033,065.08 |
| Less: provision for diminution in value of fixed assets | 28,072,492.05 | 28,072,492.05 | 28,072,492.05 | 28,072,492.05 |
| Fixed assets, net | 346,279,591.53 | 276,623,625.03 | 355,405,857.50 | 285,960,573.03 |
| Construction in progress | 3,166,000.00 | 3,000,000.00 | 4,950,679.23 | 3,000,000.00 |
| Disposal of fixed assets | 367.50 | - | - | - |
| Net loss on deferred handling of fixed assets | - | - | 2,767.50 | - |
| Total fixed assets | 349,445,959.03 | 279,623,625.03 | 360,359,304.23 | 288,960,573.03 |
| Intangible and other assets | | | | |
| Intangible assets | 102,249,712.56 | 101,386,381.56 | 110,384,373.37 | 109,466,040.37 |
| Long term deferred expenses | 22,117,431.45 | 21,684,872.17 | 29,073,719.83 | 28,008,806.90 |
| Total intangible and other assets | 124,367,144.01 | 123,071,253.73 | 139,458,093.20 | 137,474,847.27 |
| Total assets | 2,638,723,775.01 | 2,211,991,277.47 | 2,419,628,323.46 | 1,970,500,176.41 |
| Total assets liabilities: | | | | |
| Short term loans | 590,588,900.00 | 479,100,000.00 | 533,430,000.00 | 404,100,000.00 |
| Bills payable | 799,507,210.00 | 690,000,000.00 | 722,441,400.00 | 595,000,000.00 |
| Accounts payable | 105,992,154.59 | 12,232,519.09 | 125,799,715.23 | 15,953,646.13 |
| Receipts in advance | 25,442,394.21 | 8,988,221.01 | 18,985,082.92 | 564,574.65 |
| Accrued salaries | 1,325,124.78 | - | 1,779,930.62 | - |
| Staff welfare payable | 6,222,431.97 | 1,381,000.81 | 11,395,118.56 | 7,216,511.93 |
| Taxes payable | 77,318,866.80 | 57,920,400.44 | 64,895,489.10 | 56,941,050.47 |
| Sundry payables | 7,128,324.76 | 6,693,396.09 | 5,968,562.01 | 5,386,502.19 |
| Other payables | 152,687,245.30 | 118,353,488.09 | 131,929,298.34 | 112,565,700.03 |
| Accrued expenses | 5,493,994.82 | 2,950,302.16 | 7,050,502.28 | 4,951,078.27 |
| Total current liabilities | 1,771,706,647.23 | 1,377,619,327.69 | 1,623,675,099.06 | 1,202,679,063.67 |
| Long term liability: | | | | |
| Long term payables | - | - | 14,176,785.10 | 14,176,785.10 |
| Special payable | 2,000,000.00 | 2,000,000.00 | - | - |
| Total long term liabilities | 2,000,000.00 | 2,000,000.00 | 14,176,785.10 | 14,176,785.10 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Deferred tax: | | | | |
| Deferred tax loan | 11,550.64 | 11,550.64 | 11,550.64 | 11,550.64 |
| Total liabilities | 1,773,718,197.87 | 1,379,630,878.33 | 1,637,863,434.80 | 1,216,867,399.41 |
| Minority interests | 26,202,759.20 | - | 22,185,377.81 | - |
| Shareholders' funds: | | | | |
| Share capital | 655,015,000.00 | 655,015,000.00 | 655,015,000.00 | 655,015,000.00 |
| Capital reserve | 478,557,675.18 | 478,557,675.18 | 478,444,331.91 | 478,444,331.91 |
| Surplus reserve | 188,137,542.53 | 188,137,542.53 | 188,137,542.53 | 188,137,542.53 |
| Including: statutory public welfare fund | 38,425,804.72 | 38,425,804.72 | 38,425,804.72 | 38,425,804.72 |
| Undistributed profits | (482,907,399.77) | (489,349,818.57) | (562,017,363.59) | (567,964,097.44) |
| Total shareholders' funds | 838,802,817.94 | 832,360,399.14 | 759,579,510.85 | 753,632,777.00 |
| Total liabilities and shareholders' funds | 2,638,723,775.01 | 2,211,991,277.47 | 2,419,628,323.46 | 1,970,500,176.41 |

(The accompanying notes form an integral part for these financial statements.)

Consolidated Profit (Loss) and Profit Appropriation Statement

(Prepared under Accounting Regulations of the People's Republic of China for Joint Stock Companies)

January - June 2001

| Items | Unit: RMB | | | | | |
|---|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Jan-Jun 2001 | | Jan-Jun 2000 | | 2000 | |
| | Consolidated RMB | Company RMB | Consolidated RMB | Company RMB | Consolidated RMB | Company RMB |
| 1. Income from principal activities | 565,738,076.93 | 219,492,426.20 | 212,181,852.36 | 152,982.92 | 1,223,839,504.81 | 32,379,716.88 |
| Less: Principal operating cost | 514,008,388.83 | 207,682,107.19 | 184,303,507.53 | 155,739.68 | 1,120,066,764.72 | 35,112,423.30 |
| Principal business taxes and surcharges | 525,569.88 | - | 288,817.15 | 136.53 | 1,561,841.23 | 143,154.44 |
| 2. Profit from principal activities | 51,204,118.22 | 11,810,319.01 | 27,589,527.68 | (2,893.29) | 102,210,898.86 | (2,875,860.86) |

| | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Add: Other operating profit | 5,556,799.00 | 4,607,013.53 | 4,230,442.61 | 4,020,766.81 | 5,762,184.79 | 1,236,960.71 |
| Less: Sales expenses | 22,504,013.11 | 83,647.04 | 3,571,948.33 | 150,220.00 | 72,394,212.87 | 2,494,717.23 |
| Administrative expenses | 67,024,440.05 | 52,455,696.45 | 32,659,109.33 | 11,873,502.19 | 86,950,680.92 | 32,958,853.37 |
| Financial expenses | 23,656,685.82 | 18,758,585.32 | 8,066,256.85 | 5,124,509.68 | 54,531,051.92 | 25,795,455.30 |
| 3. Operating profit | (56,424,221.76) | (54,880,596.27) | (12,477,344.22) | (13,130,358.35) | (105,902,862.06) | (62,887,926.05) |
| Add: Investment return | 140,309,005.35 | 136,548,549.50 | 54,819,042.87 | 63,190,790.75 | 241,289,953.71 | 211,294,566.46 |
| Subsidy income | 650,000.00 | - | - | - | 255,824.62 | - |
| Non-operating income | 198,263.17 | 39,569.16 | 139,675.30 | 6,569.30 | 8,919,810.05 | 3,146,401.74 |
| Less: Non-operating expenses | 3,570,878.60 | 3,093,243.52 | 760,025.92 | 480,147.91 | 3,450,548.84 | 1,231,668.80 |
| 4. Total profit | 81,162,168.16 | 78,614,278.87 | 41,721,348.03 | 49,586,853.79 | 141,112,177.48 | 150,321,373.35 |
| Less: Income tax | 1,057,001.02 | - | 5,637.78 | - | 3,131,673.83 | - |
| Minority interests | 995,203.32 | - | 4,309,761.32 | - | 2,161,848.10 | - |
| 5. Net profit | 79,109,963.82 | 78,614,278.87 | 37,405,948.93 | 49,586,853.79 | 135,818,655.55 | 150,321,373.35 |
| Add: Undistributed profit from the beginning of the year | (562,017,363.59) | (567,964,097.44) | (571,618,925.05) | (707,210,887.97) | (697,836,019.14) | (718,285,470.79) |
| 6. Attributable profit | (482,907,399.77) | (489,349,818.57) | (534,212,976.12) | (657,624,034.18) | (562,017,363.59) | (567,964,097.44) |
| 7. Profit attributable to shareholders | (482,907,399.77) | (489,349,818.57) | (534,212,976.12) | (657,624,034.18) | (562,017,363.59) | (567,964,097.44) |
| 8. Undistributed profit | (482,907,399.77) | (489,349,818.57) | (534,212,976.12) | (657,624,034.18) | (562,017,363.59) | (567,964,097.44) |

Consolidated Statement of Cashflow

From January to June 2001

Jan-Jun 2001

| Items | Consolidated | Company |
|---|------------------|-----------------|
| 1. Cash flow from operating activities: | | |
| Cash received from sale of goods and services period | 652,911,096.87 | 230,273,007.56 |
| Other cash received relating to operating activities | 2,650,000.00 | 2,000,000.00 |
| Cash inflow, sub-total | 655,561,096.87 | 232,273,007.56 |
| Cash paid on purchase of goods and services | 592,890,614.60 | 237,448,846.59 |
| Cash paid to staff and paid on behalf of staff | 33,844,313.31 | 21,733,342.24 |
| Tax paid | 22,760,724.04 | 6,353,210.74 |
| Other cash paid relating to operating activities | 26,723,962.23 | 10,150,083.60 |
| Cash outflow, sub-total | 676,219,614.18 | 275,685,483.17 |
| Net cash flow from operating activities | (20,658,517.31) | (43,412,475.61) |
| 2. Cash flow from investment activities: | | |
| Net cash proceed on the disposal of fixed assets, intangible assets and other long term assets | 40,096,628.62 | 40,001,300.00 |
| Cash received from other investment | 216,488,380.26 | 181,815,398.55 |
| Cash inflow, sub-total | 256,585,008.88 | 221,816,698.55 |
| Net cash paid on purchase of fixed assets intangible assets and other long term assets | 3,107,465.36 | 286,405.00 |
| Cash paid for investment | 15,851,227.19 | 7,006,014.27 |
| Other cash paid relating to investment activities | 284,878,840.00 | 284,878,840.00 |
| Cash outflow, sub-total | 303,837,532.55 | 292,171,259.27 |
| Net cash flow from investment activities | (47,252,523.67) | (70,354,560.72) |
| 3. Cash flow from financing activities: | | |
| Cash received from equity investment | 2,952,577.55 | - |
| Including: cash received by subsidiary which acquired equity investment from minority interest | 2,952,577.55 | - |
| Cash received from borrowing | 360,605,600.00 | 216,300,000.00 |
| Cash received from other financing activities | 815,794,838.46 | 771,794,838.46 |
| Cash inflow, sub-total | 1,179,353,016.01 | 988,094,838.46 |

| | | |
|---|----------------|----------------|
| Cash paid on repayment of debts | 303,446,700.00 | 141,300,000.00 |
| Cash paid on interest repayment | 26,050,822.55 | 19,727,877.61 |
| Cash paid on other financing activities | 630,226,519.19 | 630,117,096.63 |
| Cash outflow, sub-total | 959,724,041.74 | 791,144,974.24 |
| Net cash flow from financing activities | 219,628,974.27 | 196,949,864.22 |
| 4. Impact on cash from fluctuation of exchange rate | 4,682.87 | - |
| 5. Net increase in cash and cash equivalents | 151,722,616.16 | 83,182,827.89 |

Consolidated Statement of Cashflow

From January to June 2001

| Jan-Jun 2001 | | | |
|--|--|------------------|------------------|
| Items | | Consolidated | Company |
| 1. Cash flow involving the adjustment of net profit to operating activities | | | |
| Net profit | | 79,109,963.82 | 78,614,278.87 |
| Add: portion of minority interest | | 995,203.32 | - |
| provision for diminution in value of assets | | 398,756.16 | - |
| Depreciation of fixed assets | | 12,468,125.62 | 7,878,297.98 |
| Amortisation of intangible and other assets | | 8,134,660.81 | 8,079,658.81 |
| Amortisation of long term deferred expenses | | 6,956,288.38 | 5,466,172.96 |
| Decrease of deferred expenses (less: increase) | | 3,501,616.67 | (377,501.22) |
| Increase in prepayments (less: decrease) | | (1,556,507.46) | (2,000,776.11) |
| Loss arising from disposal of fixed, intangible assets and other long term assets (less: income) | | 2,209,730.52 | 2,201,930.52 |
| Finance expenses | | 23,656,685.82 | 18,758,585.32 |
| Loss in investment (less: income) | | (140,309,005.35) | (136,548,549.50) |
| Decrease in inventories (less: increase) | | 42,496,852.05 | 179,662.08 |
| Decrease in trade debtors (less: increase) | | 9,010,675.71 | (26,895,420.68) |
| Increase in trade creditors (less: decrease) | | (67,731,563.38) | 1,231,185.36 |
| Net cash flow from operating activities | | (20,658,517.31) | (43,412,475.61) |
| 2. Net increase in cash and cash equivalents: | | | |

| | | |
|--|----------------|---------------|
| Cash balance as at end of the period | 239,127,856.45 | 88,438,588.49 |
| Less: Cash balance as at beginning of the period | 87,405,240.29 | 5,255,760.60 |
| Net increase in cash and cash equivalents | 151,722,616.16 | 83,182,827.89 |

(3) Notes to Financial Statements

A. THE CHANGE IN ACCOUNTING POLICY IN THE REPORTING PERIOD AND THE RELEVANT EFFECTS

Since 1st January 2001, the Company has implemented the "Company Accounting System" in accordance with the Cai Kuai Zi [2000] No. 25 document entitled "Notice about 'Company Accounting System'", the [2001] No. 17 document entitled "Notice about the requirements for policy consistency in the complete implementation of 'Company Accounting System'", and the document dated 7th July 2001 entitled "Answers to questions in the implementation of 'Company Accounting System' and other relevant standards", all released by the Ministry of Finance. Pursuant to the requirements of the "Company Accounting System", the Company has made provisions in the areas of fixed assets, intangible assets, construction in progress, diminution in value of trust deposits, and reorganised its debts and dealt with its non-currency-based transactions. In addition, the Company has applied such new accounting policy with retrospective effect and adjusted previous accounts accordingly.

1. Effects in the operating results due to the change in accounting policy for the years before and after 2000 are accounted for as follows:

| Item | Jan-Jun, 2001 | 2000 | Before 2000 |
|---|----------------------|-----------------|--------------------|
| Increase (decrease) in net profit | 1,214,225.48 | 2,995,241.59 | (39,581,778.10) |
| Comprising: | | | |
| Increase (decrease) in undistributed profit | (35,372,321.03) | (36,586,546.51) | (39,581,788.10) |
| Increase (decrease) in total assets | (35,372,321.03) | (36,586,546.51) | (39,581,788.10) |
| Comprising: | | | |
| Fixed Assets | (19,319,716.71) | (20,932,698.35) | (24,342,798.44) |
| Construction in progress | (16,052,604.32) | (15,653,848.16) | (15,238,989.66) |

2. Changes in the consolidation basis in the reporting period and the relevant effects:

(1) In accordance with the resolution passed at the extraordinary general meeting of the Company in 2000, the Company transferred to Panda Electronics Group Limited the assets of 6 operating units in relation to TV set business and the equity interests of 8 independent legal person units in connection with the same business (please refer to the Company's 2000 annual report for details). Therefore, the results of the said units were not included in the consolidated statements of the Company.

(2) Owing to the dissatisfactory operations of Nanjing Panda Electronic Advertisement Company, Nanjing Panda Electronic Eastern Suburb Technology Department, Nanjing Panda Chenguang Electronic Co. Ltd., and Shenzhen Panda Golden Card Enterprise Co. Ltd., the four companies were suspended from operations and undergoing assets liquidation. Therefore, their results were not included in the consolidated statements.

Because of the changes in the above subsidiary companies, their results were not included in the consolidated financial statement for the report period. Adjustments have been introduced accordingly to the comparative figures for the corresponding period in the comparative financial statements.

B. TAXATION

The major taxes and rates applicable to all units included in the consolidated financial statements were described as follows:

| Tax | Calculation Basis | Rate |
|-----------------------|---------------------------------------|-------------|
| Value-added tax | Commodity sales income | 17% |
| Business tax | Installation income, delivery income | 5% |
| City maintenance tax | Business tax, or value-added tax paid | 7% |
| Education surcharge | Business tax, or value-added tax paid | 4% |
| Enterprise income tax | Assessable income | 15-33% |

On 29th August 1995, the Company was recognised by Jiangsu Provincial Scientific and Technological Committee as a hi-tech enterprise covered by the policy for preferential taxation treatments. Since 1st January 1995, the income tax of the Company has been calculated on the basis of 15% of the assessable income.

Nanjing Panda International Telecommunication System Co., Ltd., a subsidiary of the

Company, is an advanced foreign technology manufacturing enterprise. Its registered address is at Hi-tech Development Zone, Nanjing. Accordingly, an income tax of 10% of the assessable income has been approved for 2001 - 2003.

C. CONTROLLING SUBSIDIARIES AND ASSOCIATED COMPANIES

1. All domestic and overseas subsidiaries of the Company and the scope of consolidation are as follows:

| Company Name | Registered Representative | Registered capital '0000 | % of equity held direct | Capital invested indirect | Core Business '0000 | Consolidated | Note yes(no) |
|--|---------------------------|-----------------------------|-------------------------|---------------------------|------------------------|---|-----------------|
| Nanjing Panda Electronic Material Co., Ltd. | Cao Yuanning | RMB53.00 | 94.34 | - | RMB50.00 | metallic, chemical, electronic | yes |
| Nanjing Panda Electronic System Engineer Corp. | Yuan Dong | RMB30.00 | 100 | - | RMB30.00 | installation of communication broadcast and television system | yes |
| Shenzhen Panda Electronic Co., Ltd. | Song Jiaju | RMB650.00 | 95 | - | RMB617.50 | Home appliance, telecommunication equipment and appliance and apparatus | yes |
| Nanjing Panda Technology Equipment Co., Ltd. | Li Anjian | RMB500.00 | 70 | - | RMB350.00 | production and installation of production line | yes |
| Nanjing Panda International Telecommunication System Co., Ltd. | Li Anjian | USD100.00 | 72 | - | RMB765.50 | development, production sale of telephone and telecommunication system | yes |
| Nanjing Guanghua Electronics Plastic Castings Factory | Wang Wenbai | RMB1,225.00 | 71.94 | - | RMB844.83 | PVC, ABS products | yes |

| | | | | | | | |
|--|---------------------------|-----------------------------|-------------------------|---------------------------|------------------------|---|-----------------|
| Nanjing Panda Information Industry Co., Ltd. | Wang Songshan | USD340.00 | 72 | - | RMB2,100.00 | development, production and sale of electronic information products | yes |
| Company Name | Registered Representative | Registered capital '0000 | % of equity held direct | Capital invested indirect | Core Business '0000 | Consolidated | Note yes(no) |
| Nanjing Panda Appliance & Apparatus Co., Ltd. | Li Anjian | RMB100.00 | 70 | - | RMB70.00 | production, development and sale of testing appliance; design and installation of electronic information system | yes |
| Nanjing Panda Mechanical Engineering Plant | Wang Wenhu | RMB4500.00 | 99 | - | RMB3,055.38 | production and sale of electronic products, telecommunication equipment and appliance and apparatus | yes |
| Nanjing Panda Accurate Machinery Co., Ltd | Li Anjian 1 | RMB500.00 | 50 | - | RMB250.00 | production of equipment and spare parts for electronic industry; processing of sophisticated machinery | yes |
| Nanjing Panda Network Communication Technology Co., Ltd. | Li Anjian | RMB500.00 | 70 | - | RMB350.00 | Development, production and sale of network communication system, software and products | yes |
| Nanjing Huage Plastic Co., Ltd. | Wong Wenbai | RMB800.00 | - | 89.25 | RMB714.00 | production and sale of plastic special-shaped products, plastic and steel doors and windows and aluminium alloy doors and windows | yes |

| | | | | | | | |
|--|--------------------------------------|-------------------------------|--|--|----------------------|---|----------------|
| Nanjing Panda Electronic Advertisement Company | Gao Sifeng 2 | RMB100.00 | 100 | - | RMB60.00 | design and production of video, printing advertisement | no |
| Nanjing Panda Electronic Eastern Suburb Technology Department | In Songlin 2 | RMB50.00 | 100 | - | RMB50.00 | hardware and electronic labour products | no |
| Nanjing Panda Chenguang Electronic Co. Ltd. | Wang 2 Songshan | USD180.00 | 51 | - | RMB760.08 | production and sale of monitors | no |
| Company Name | Registered Representative | Registered capital | % of equity held direct | Capital invested indirect | Core Business | Consolidated | Note |
| | | <i>'0000</i> | | | <i>'0000</i> | | <i>yes(no)</i> |
| Shenzhen Panda Golden Card Enterprise Co. Ltd. | Zhou Zhenyu 2 | RMB600.00 | 60 | - | RMB360.00 | development of IC card computer software | no |
| Nanjing Panda Broadcast and Television Products Repair and Maintenance Center | Xiong 2 Yongzhou | RMB50.00 | 100 | - | RMB50.00 | repair/maintenance of electronic products | no |
| Nanjing Panda Computer Co. Ltd. | Chen 2 Xiangxing | RMB500.00 | 100 | - | RMB500.00 | production and sale of computers | no |
| Nanjing Asia-Pacific Satellite Communication Company | Song Yueming 2 | RMB50.00 | 100 | - | RMB50.00 | satellite communication service, electronic system design | no |

Note:

1. At an extraordinary meeting of the board of directors, the directors passed resolutions to acquire a 70% interest in Nanjing Panda Accurate Machinery Co., Ltd. held by Nanjing Panda Machanical Engineering Plant, a subsidiary of the Company; to increase the registered capital of Nanjing Panda Accurate Machinery Co., Ltd. from RMB1 million to RMB5 million; and to decrease its shareholdings in Nanjing Panda Accurate Machinery Co., Ltd. from 70% to 50%.

2. 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.

2. Associated companies:

| Company Name | Place of registration | Legal representative | Registered capital | Capital invested | % of equity held | Core business |
|---|-----------------------|----------------------|--------------------|------------------|------------------|---|
| Nanjing Ericsson Panda Communication Co., Ltd | Nanjing | Michael Rinks | USD2,090.00 | RMB6,086.33 | 43 | Manufacturing and sale of distanced control interchangeable machines and base station |
| PEGL Nanjing Package Materials Co., Ltd | Nanjing | Li Jiafeng | RMB500.00 | RMB150.00 | 30 | PVC and plastic products |
| Nanjing Sharp Electronic Co., Ltd. | Nanjing | 近藤泰彦 | USD2,458.00 | RMB6142.54 | 30 | LCD TV and multimedia terminal |
| Nanjing Ericsson Panda Mobile Terminals Co., Ltd. | Nanjing | Jan Main | USD1,200.00 | RMB3,476.94 | 35 | Development, manufacturing, production and sale of digital communication terminal equipment |
| Shenzhen Jinghua Electronic Co., Ltd. | Shenzhen | Li Suqin | RMB11,507.00 | RMB6,968.74 | 38.03 | production and sale of communication equipment and electronics products |
| Jiangsu Software Industrial Co., Ltd. | Nanjing | Zhao Guozhen | RMB19,800.00 | RMB6,930.00 | 35 | Development, production and sale of computer |

| | | | | | | integrated system and software |
|--------------------------------------|---------|---------------|-------------|-----------|----|---|
| Intenna(Nanjing) Co., Ltd. | Nanjing | Olof Lenneman | RMB1,000.00 | RMB175.00 | 35 | Research, production and sale of antenna system |
| Nanjing Lingyun Information Co., Ltd | Nanjing | Zhang Wei Wei | RMB50.00 | RMB15.00 | 30 | Operation of FM and secondary channel information business |
| Mpower Batteries Nanjing Limited | Nanjing | Barrie Lawson | RMB1,050.00 | RMB240.00 | 40 | production of secondary mercury-free alkaline batteries and lithium ion batteries |

D. Notes to the Financial Statements

1. Cash and Bank Balances

Consolidated

| Term | 30th June 2001 | | | 31st December 2000 | | |
|--------------------------|-------------------|---------------|-------------------|--------------------|---------------|-------------------|
| | Original currency | Exchange rate | Conversion to RMB | Original currency | Exchange rate | Conversion to RMB |
| Cash on hand | | | | | | |
| RMB | 398,447.35 | 1.0000 | 398,447.35 | 292,966.24 | 1.0000 | 292,966.24 |
| USD | 1,162.00 | 8.2770 | 9,617.87 | 1,162.00 | 8.2781 | 9,619.15 |
| Cash on hand, sub-total | | | 408,065.22 | | | 302,585.39 |
| Cash in bank | | | | | | |
| RMB | 178,567,934.01 | 1.0000 | 178,567,934.01 | 86,257,888.30 | 1.0000 | 86,257,888.30 |
| HKD | 9,237.85 | 1.610 | 9,803.22 | 9,182.57 | 1.0613 | 9,745.46 |
| USD | 119,423.73 | 8.2770 | 988,470.21 | 100,871.11 | 8.2781 | 835,021.14 |
| Cash in bank , sub-total | | | 179,566,207.44 | | | 87,102,654.90 |
| Other monetary fund | | | | | | |
| Guaranteed deposit | | | | | | |
| RMB | 552,458,112.80 | 1.0000 | 552,458,112.80 | 283,025,866.68 | 1.0000 | 283,025,866.68 |
| USD | 320,000.00 | 8.2770 | 2,648,640.00 | - | - | - |

| | | | | | | |
|---------------------|---------------|--------|----------------|---------------|--------|----------------|
| Sub-total | | | 555,106,752.80 | | | 283,025,866.68 |
| Fixed deposit | | | | | | |
| RMB | 4,834,492.26 | 1.0000 | 4,834,492.26 | 25,457,400.00 | 1.0000 | 25,457,400.00 |
| USD | 882,000.00 | 8.2770 | 7,300,314.00 | 832,145.87 | 8.2781 | 6,888,581.97 |
| Sub-total | | | 12,134,806.26 | | | 32,345,981.97 |
| Investment | | | | | | |
| RMB | 59,153,583.79 | 1.0000 | 59,153.79 | - | - | - |
| Other monetary fund | | | 626,395,142.85 | | | 315,371,848.65 |
| Total | | | 806,369,415.51 | | | 402,777,088.94 |

(1) In the above fixed deposit, there is a total of USD882,000.00, equivalent to RMB7,300,314.00, pledged for a bank loan. Details are set out in note H.

(2) Reason for change: timely repayment of outstanding amounts and increased financing channels.

2. Short Term Investment and Provision for Diminution in Value of Short Term Investment

Consolidated

(1) Short term investment

| Item | 30th June 2001 | | | 31st December 2000 | | |
|---------------------------|-------------------|--------------------------|----------------|--------------------|--------------------------|----------------|
| | Investment amount | Provision for diminution | Net amount | Investment amount | Provision for diminution | Net amount |
| Share investment | 31,661,934.74 | 480,708.37 | 31,181,226.37 | 987,125.95 | - | 987,125.95 |
| including: listed shares* | 31,661,934.74 | 480,708.37 | 31,181,226.37 | 880,715.95 | - | 880,715.95 |
| unlisted shares | - | - | - | 106,410.00 | - | 106,410.00 |
| Other investment | 120,000,000.00 | - | 120,000,000.00 | 120,000,000.00 | - | 120,000,000.00 |
| Total | 151,661,934.74 | 480,708.37 | 151,181,226.37 | 120,987,125.95 | - | 120,987,125.95 |

a. Market value of listed shares at the end of the period is RMB31,181,226.37

b. Other investment is the fund entrusted to be managed by Jiangsu Xingsheng Investment Management Co., Ltd., it was recovered early August 2001.

(2) Provision for Diminution in Value of Short Term Investment

| | Opening balance | Addition during the period | Transfer during the period | Closing balance |
|---|----------------------------|---------------------------------------|---------------------------------------|----------------------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Provision for diminution in value of short term investment | - | 480,708.37 | - | 480,708.37 |
| Including: share investment | - | 480,708.37 | - | 480,708.37 |

The market price at the end of the period for the calculation of provision for diminution in value of short term investment was the closing prices of the relevant shares in the stock market on 29th June 2001.

3. Bills Receivable
Consolidated

| Issuing Unit | Date received | Expiry date | Closing balance | Remark |
|---|--------------------------|------------------------|----------------------------|---------------|
| Nanjing LG Zongchuang Colour Display System Co., Ltd | 2001.04.16 | 2001.07.10 | 1,805,915.38 | Accepted |
| Zhongxing Home Appliance Company in Tonghua City | 2001.05.24 | 2001.08.10 | 4,142,498.51 | |
| Home Appliance Company of Cangshan County Fruit General Company | 2001.03.13 | 2001.09.13 | 300,000.00 | |
| Taizhou No.1 Department Store Co., Ltd | 2001.06.29 | 2001.11.29 | 139,745.00 | |
| Nanjing Kangni Electrical and Mechanical New Technology Co., Ltd. | 2001.06.05 | 2001.09.05 | 100,000.00 | |
| Jiangsu Hongtou Stock Jianggui Laser Sub-company | 2001.04.25 | 2001.07.25 | 126,000.00 | |
| Total | | | 7,264,158.89 | |

4. Dividends Receivable

Consolidated

| Item | 30th June 2001 | 31st December 200 |
|--|----------------|-------------------|
| | RMB | RMB |
| Dividends from long term equity investments - on the basis of equity method | 7,439,514.89 | 7,439,514.89 |

5. Accounts Receivable

(1) Consolidated

| Age | 30th June 2001 | | | | 31st December 2000 | | | |
|-------------------|----------------------------------|------------|---------------|----------------|--------------------|------------|---------------|---------------|
| | Amount | Percentage | Provision for | Net | Amount | Percentage | Provision for | Net |
| | RMB | % | RMB | RMB | RMB | % | RMB | RMB |
| Within 1 year | 117,286,538.94 121,183,482.63 | 92.10 | 3,518,596.18 | 113,767,942.76 | 124,931,425.39 | 87.97 | 3,747,942.76 | |
| 1-2 years | 5,895,924.58 | 4.63 | 353,755.47 | 5,542,169.11 | 12,470,251.42 | 8.78 | 748,215.09 | 11,722,036.33 |
| 2-3 years | 2,403,521.64 | 1.89 | 721,056.50 | 1,682,465.14 | 794,303.03 | 0.56 | 238,290.91 | 556,012.12 |
| More than 3 years | 1,757,208.77 | 1.38 | 1,054,325.26 | 702,883.51 | 3,824,063.20 | 2.69 | 2,294,437.92 | 1,529,625.28 |
| Total | 127,343,193.93 134,991,156.36 | 100.00 | 5,647,733.41 | 121,695,460.52 | 142,020,043.04 | 100.00 | 7,028,886.68 | |

a. Five largest units with amounts due from:

| Name of units | Amount due from RMB | Due time | Reasons |
|--|------------------------|-----------|-----------------|
| Nanjing Panda Television Co., Ltd. | 29,380,705.75 | 2000-2001 | Trade creditors |
| Jangsu Jintai Trading Development Co., Ltd. | 17,730,200.00 | 2001 | Trade creditors |
| Nanjing LG Tongchuang Colour Display System Co., Ltd. | 6,292,160.19 | 2001 | Trade creditors |
| Jiangsu Fengxing Telecommunication Co., Ltd. | 4,924,000.00 | 2001 | Trade creditors |

Nanjiing Jiexun Mobile Telecommunication Equipment Co., Ltd. 4,839,900.00 2001 Trade creditors

b. The closing balance of accounts receivable does not include any amount due from holders with 5% or above shareholding in the Company.

(2) The Company

| Age | 30th June 2001 | | | | 31st December 2000 | | | |
|-------------------|----------------|------------|-------------------------|----------------------|--------------------|------------|-------------------------|----------------------|
| | Amount | Percentage | Provision for | Net | Amount | Percentage | Provision for | Net |
| | <i>RMB</i> | % | bad debts <i>RMB</i> | amount <i>RMB</i> | <i>RMB</i> | % | bad debts <i>RMB</i> | amount <i>RMB</i> |
| Within 1 year | 7,074,347.32 | 85.15 | 212,230.42 | 6,862,116.80 | 5,314,705.71 | 63.92 | 159,441.17 | 5,155,264.54 |
| 1-2 years | 819,402.40 | 9.86 | 49,164.14 | 770,238.26 | 1,561,490.59 | 18.78 | 93,689.44 | 1,467,801.15 |
| 2-3 years | 14,488.31 | 0.18 | 4,346.49 | 10,141.82 | 122,156.20 | 1.47 | 36,646.86 | 85,509.34 |
| More than 3 years | 399,492.09 | 4.81 | 239,695.25 | 159,796.84 | 1,316,747.97 | 15.83 | 790,048.78 | 526,699.19 |
| Total | 8,307,730.12 | 100.00 | 505,436.30 | 7,802,293.82 | 8,315,100.47 | 100.00 | 1,079,826.25 | 7,235,274.22 |

6. Other Receivables

Consolidated

| Age | 30th June 2001 | | | | 31st December 2000 | | | |
|-------------------|----------------|------------|-------------------------|----------------------|--------------------|------------|-------------------------|----------------------|
| | Amount | Percentage | Provision for | Net | Amount | Percentage | Provision for | Net |
| | <i>RMB</i> | % | bad debts <i>RMB</i> | amount <i>RMB</i> | <i>RMB</i> | % | bad debts <i>RMB</i> | amount <i>RMB</i> |
| Within 1 year | 36,264,730.66 | 34.64 | 1,087,941.92 | 35,176,788.74 | 233,330,043.53 | 84.96 | 6,999,901.30 | |
| | 226,330,142.23 | | | | | | | |
| 1-2 years | 23,598,990.60 | 22.55 | 1,415,939.44 | 22,183,051.16 | 3,666,620.44 | 1.34 | 219,997.23 | 3,446,623.21 |
| 2-3 years | 1,479,365.24 | 1.41 | 443,809.57 | 1,035,555.67 | 23,227,504.65 | 8.46 | 6,968,251.40 | 16,259,253.25 |
| More than 3 years | 43,337,807.48 | 41.40 | 29,296,226.94 | 14,041,580.54 | 14,400,254.03 | 5.24 | 8,640,152.41 | 5,760,101.62 |
| Total | 104,680,893.98 | 100.00 | 32,243,917.87 | 72,436,976.11 | 274,624,422.65 | 100.00 | 22,828,302.34 | |
| | 251,796,120.31 | | | | | | | |

a. Five largest units with amounts due from:

| Name of units | Amount due from RMB | Due time | Reason |
|--|--------------------------------|-----------------|------------------|
| Nanjing 21st Technology Plaza Co, Ltd. | 3,040,825.70 | 2000-2001 | current amount |
| Shanghai Zhongtong Information Network Co., Ltd. | 3,050,000.00 | 2000-2001 | loan |
| Huaqiao Friendship Company Home Appliance Arcade in Su County Region | 5,091,500.00 | 2000 | advanced payment |
| Xian Huajin Technology Trading Co., Ltd. | 6,593,892.54 | 2000 | advanced payment |
| Panda Electronics (Hong Kong) Co., Ltd. | 12,411,294.80 | 1997 | current amount |

b. The closing balance of other receivables does not include any amount due from holders with 5% or above shareholding in the Company.

7. Prepayment

Consolidated

| Age | 30th June 2001 | | 31st December 2000 | |
|-------------------|-----------------------|-------------------------|---------------------------|-------------------------|
| | Amount RMB | Percentage % | Amount RMB | Percentage % |
| Within 1 year | 62,758,337.36 | 94.53 | 134,571,263.03 | 82.87 |
| 1-2 years | 2,694,700.68 | 4.06 | 4,003,656.65 | 2.47 |
| 2-3 years | 895,200.00 | 1.35 | 3,451,900.00 | 2.12 |
| More than 3 years | 41,035.32 | 0.06 | 20,366,679.68 | 12.54 |
| Total | 66,389,273.36 | 100.00 | 162,393,499.36 | 100.00 |

a. Five largest units with amounts due from :

b.

| Name of units | Amount due from RMB | Due time | Reason |
|----------------------|--------------------------------|-----------------|---------------|
|----------------------|--------------------------------|-----------------|---------------|

| | | | |
|--|---------------|-----------|------------------------|
| Nanjing Panda Electronic Import/ Export Company | 38,291,686.95 | 2000-2001 | Material prepayment |
| China Heping Co. | 11,301,421.58 | 2001 | Prepayment |
| 6904 Factory | 992,000.00 | 2001 | Prepayment |

b. The closing balance of prepayment does not include any amount due from holders with 5% or above shareholding in the Company.

8. Inventories and Provision for Diminution in Value of Inventories

Consolidated

| Item | 30th June 2001 | | | 31st December 2000 | | |
|--------------------------|----------------|---------------------------------|-----------------------------|--------------------|---------------------------------|-----------------------------|
| | Amount | Provision for | Net | Amount | Provision for | Net |
| | <i>RMB</i> | <i>diminution</i> <i>RMB</i> | <i>amount</i> <i>RMB</i> | <i>RMB</i> | <i>diminution</i> <i>RMB</i> | <i>amount</i> <i>RMB</i> |
| Raw material | 39,898,608.72 | 12,992,254.37 | 26,906,354.35 | 36,766,459.53 | 8,175,352.45 | 28,591,107.08 |
| Packaged goods | 198,678.88 | - | 198,678.88 | 193,729.87 | 5,426.15 | 188,303.72 |
| Work in progress | 34,984,008.13 | 1,723,947.03 | 33,260,061.10 | 43,769,419.99 | 1,515,875.50 | 42,253,544.49 |
| Low value consumables | 573,814.91 | - | 573,814.91 | 359,461.36 | 220,267.18 | 139,194.18 |
| Stored commodities | 62,834,730.43 | 1,515,536.72 | 61,319,193.71 | 97,512,911.22 | 3,685,911.67 | 93,826,999.55 |
| Sub-contracted materials | 355,366.28 | - | 355,366.28 | 109,349.36 | 753.60 | 108,595.76 |
| Semi-finished goods | - | - | - | 2,576.50 | - | 2,576.50 |
| Total | 138,845,207.35 | 16,231,738.12 | 122,613,469.23 | 178,713,907.83 | 13,603,586.55 | 165,110,321.28 |

9. Deferred Expenses

Consolidated

| Item | Opening balance <i>RMB</i> | Addition during the period <i>RMB</i> | Amortisation during the period <i>RMB</i> | Closing balance <i>RMB</i> | | | | | |
|--|----------------------------------|--|--|----------------------------------|-----------------|-----------|------------|------------|------------|
| | | | | | Maintenance fee | 74,255.72 | 242,593.30 | 32,950.70 | 283,898.32 |
| | | | | | Rent | 36,666.68 | 150,220.01 | 153,982.69 | 32,904.00 |
| Mould fee | 890,224.39 | 111,111.12 | 202,457.25 | 798,878.26 | | | | | |
| Advertising fee | 12,577,562.20 | 3,540,383.70 | 7,473,895.84 | 8,644,050.06 | | | | | |
| Amortisation of low value consumables | - | 153,887.20 | 149,887.20 | 4,000.00 | | | | | |

| | | | | |
|------------------------|---------------|--------------|--------------|---------------|
| Refurbishment expenses | - | 47,425.68 | 11,861.42 | 35,564.26 |
| Property Tax | - | 1,343,257.39 | 671,628.70 | 671,628.69 |
| Others | 808,281.25 | 285,436.02 | 679,267.29 | 414,449.98 |
| Total | 14,386,990.24 | 5,874,314.42 | 9,375,931.09 | 10,885,373.57 |

10. Long Term Investment

Consolidated

Long term equity investment is as follows:

| Project | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---------------------------------|------------------------|-----------------|-----------------|------------------------|
| Other equity investment | 653,283,511.04 | 142,347,948.77 | - | 795,631,459.81 |
| Difference in equity investment | 2,992,480.98 | - | (11,862.73) | 3,004,343.71 |
| Total | 656,275,992.02 | 142,347,948.77 | (11,862.73) | 798,635,803.52 |

a. Other equity investment

Investment amounts

| Name of parties to be invested | Investment period | Shareholding percentage % | Initial investment RMB | Adjustment to interest of the period RMB | Adjustment to accumulated interest RMB | Closing balance RMB |
|--|----------------------|---------------------------------|------------------------------|---|---|---------------------------|
| Nanjing Ericsson Panda Communication Co., Ltd. | 1992.09-2022.09 | 43.00 | 60,863,279.60 | 123,947,663.83 | 450,339,920.04 | 511,203,199.64 |
| Nanjing Ericsson Panda Mobile Terminals Co., Ltd. | 1998.11-2018.11 | 35.00 | 34,769,364.00 | 12,074,342.35 | 32,490,336.20 | 67,259,700.20 |
| Shenzhen Jinghua Electronic Co., Ltd. | | 38.03 | 69,687,437.75 | 2,943,115.04 | 3,593,397.77 | 73,280,835.52 |
| PEGL Nanjing Package Materials Co., Ltd. | 1990.08-2005.08 | 30.00 | 1,500,000.00 | (88,928.16) | 1,062,578.09 | 2,562,578.09 |
| Jiangsu Software Industrial Co., Ltd. | N/A | 35.00 | 69,300,000.00 | (308,852.97) | (308,852.97) | 68,991,147.03 |
| Intenna (Nanjing) Co., Ltd. | N/A | 35.00 | 1,750,000.00 | 282,977.04 | 282,977.04 | 2,032,977.04 |
| Nanjing Sharp Electronics Co., Ltd. | 1996.03-2026.03 | 30.00 | 61,425,420.00 | 635,145.14 | 2,727,136.15 | 64,152,556.15 |
| Nanjing Lingyun Information Co., Ltd. | 1998.08-2008.08 | 30.00 | 150,000.00 | (22,702.93) | (42,366.35) | 107,633.65 |

| | | | | | | |
|--|-----------------|-------|----------------|----------------|----------------|----------------|
| Mpower Batteries Nanjing Limited | N/A | 40.00 | 2,400,000.00 | (858,000.00) | (858,000.00) | 1,542,000.00 |
| Nanjing Lianhua Nanpa New Painting Co., Ltd. | 1995.12-2005.12 | 33.33 | 1,000,000.00 | 35,367.08 | 35,367.08 | 1,035,367.08 |
| Shanghai Zhongtong Information Network Co., Ltd. | 2005.05-2005.12 | 45.00 | 450,000.00 | (24,817.98) | (450,000.00) | - |
| Beijing Fei Hong Electronics Co., Ltd. | N/A | 9.60 | 1,200,000.00 | - | - | 1,200,000.00 |
| Beijing Zhong Shi Lian Digit System Co., Ltd. | N/A | | 360,000.00 | - | - | 360,000.00 |
| Hunan Hengyang Xianfeng Industrial Co., Ltd. | N/A | | 500,000.00 | - | - | 500,000.00 |
| Other investment reflected at cost | | | 1,403,465.41 | - | - | 1,403,465.41 |
| Total | | | 306,758,966.76 | 138,615,308.44 | 488,872,493.05 | 795,631,459.81 |

b. Difference in equity investment

| Name of parties to be invested | Period of amortisation | Initial amount | Method of amortisation | Amortisation during the period | Accumulated amortisation | Closing balance | Reason |
|--|------------------------|----------------|------------------------|--------------------------------|--------------------------|-----------------|-------------------------------|
| | | <i>RMB</i> | | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | |
| Nanjing Panda Mechanical Engineering Plant | 5 years | 511,756.61 | Straight line method | 51,175.66 | 51,175.66 | 460,580.95 | Difference in equity acquired |
| Nanjing Panda Accurate Machinery Co., Ltd. | | (345,678.70) | Straight line method | (345,678.70) | (345,678.70) | - | Difference in equity acquired |
| Shenzhen Jinghua Electronic Co., Ltd. | 5 years | 2,826,403.07 | Straight line method | 282,640.31 | 282,640.31 | 2,543,762.76 | Difference in equity acquired |
| Total | | 2,992,480.98 | | (11,862.73) | (11,862.73) | 3,004,343.71 | |

11. Fixed Assets and Accumulated Depreciation

Consolidated

(1) At cost and depreciation

| Fixed assets, at cost: | Opening balance | Increase | Decrease | Closing balance |
|------------------------|-----------------|----------|----------|-----------------|
|------------------------|-----------------|----------|----------|-----------------|

| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
|---------------------------|-----------------------|----------------------|---------------------|-----------------------|
| Bulidning and premises | 357,749,461.35 | 976,980.20 | 7,234,955.54 | 351,491,486.01 |
| Machinery and equipment | 160,882,644.98 | 3,587,042.87 | 678,175.48 | 163,791,512.37 |
| Transportation | 6,351,481.08 | 672,797.00 | 201,467.62 | 6,822,810.46 |
| Electronic equipment | 10,328,687.15 | 70,015.00 | 7,800.00 | 10,390,902.15 |
| Other equipment | 10,888,191.84 | 573,082.42 | 271,674.99 | 11,189,599.27 |
| Total | 546,200,466.40 | 5,879,917.49 | 8,394,073.63 | 543,686,310.26 |
| Accumulated depreciation: | | | | |
| Building and premises | 66,530,101.85 | 5,680,126.07 | 5,182,668.42 | 67,027,559.50 |
| Machinery and equipment | 85,118,936.10 | 5,579,307.84 | 422,518.21 | 90,275,725.73 |
| Transportation | 3,857,015.14 | 293,047.27 | 96,538.51 | 4,053,523.90 |
| Electronic equipment | 2,570,127.05 | 233,135.15 | 7,185.40 | 2,796,076.80 |
| Other equipment | 4,645,936.71 | 682,509.29 | 147,105.25 | 5,181,340.75 |
| Total | 162,722,116.85 | 12,468,125.62 | 5,856,015.79 | 169,334,226.68 |
| Net value | 383,478,349.55 | | | 374,352,083.58 |

a. The above fixed assets included those fixed assets transferring from construction in progress for the period which amounted to RMB3,993,387.33.

b. In order to obtain bank loans, the Company pledged certain premises of the above fixed assets as security with a valuation of RMB121,490,000. For details, please refer to note H.

(2) Provision for Diminution in Value

| Item | Opeining balance | Closing balance |
|-------------------------|-------------------------|------------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Building and premises | 1,867,309.18 | 1,867,309.18 |
| Machinery and equipment | 24,677,715.35 | 24,677,715.35 |
| Other equipment | 1,527,467.52 | 1,527,467.52 |
| | 28,072,492.05 | 28,072,492.05 |

The recoverable amounts of the above dormant or damaged fixed assets are lower than their

book values.

12. Construction in progress

Consolidated

| Name of project | Opening balance <i>RMB</i> | Increase <i>RMB</i> | Transfer to fixed assets <i>RMB</i> | Closing balance <i>RMB</i> | Provision for dminution <i>RMB</i> | Net closing balance <i>RMB</i> | Source of fund |
|-------------------------|----------------------------------|----------------------------|---|--------------------------------------|--|--|-------------------|
| Jiangning base | 16,153,728.45 | - | - | 16,153,728.45 | 13,153,728.45 | 3,000,000.00 | Proceeds |
| Special section project | 1,794,679.23 | 2,597,464.26 | 3,993,387.33 | 398,756.16 | 398,756.16 | - | Other sources |
| Others | 2,656,119.71 | 10,000.00 | - | 2,666,119.71 | 2,500,119.71 | 166,000.00 | Other sources |
| Total | 20,604,527.39 | 2,607,464.26 | 3,993,387.33 | 19,218,604.32 | 16,052,604.32 | 3,166,000.00 | |

13. Intangible Assets

Consolidated

| Type | Original amount <i>RMB</i> | Opening balance <i>RMB</i> | Amortised during the period <i>RMB</i> | Closing balance <i>RMB</i> | Remaining period for amortisation |
|---------------------|-----------------------------------|--------------------------------------|---|--------------------------------------|---|
| Land use right | 30,210,000.00 | 28,017,540.37 | 322,658.81 | 27,694,881.56 | 43.1 years |
| Trademark use right | 156,240,000.00 | 82,366,833.00 | 7,812,002.00 | 74,554,831.00 | 4.8 years |
| Total | 186,450,000.00 | 110,384,373.37 | 8,134,660.81 | 102,249,712.56 | |

14. Long Term Deferred Expenses

Consolidated

| period | Original amount <i>RMB</i> | Opening balance <i>RMB</i> | Amortised during the period <i>RMB</i> | Accumulated amortised amount <i>RMB</i> | Closing balance <i>RMB</i> | Remaining (months) for amortisation |
|------------------|--------------------------------------|--------------------------------------|---|--|--------------------------------------|---|
| Name of projects | | | | | | |

| | | | | | | |
|---|---------------|---------------|--------------|---------------|---------------|----|
| Expense for increasing capacity of hydro-electricity | 11,411,550.00 | 5,411,641.25 | 570,577.50 | 6,570,486.25 | 4,841,063.75 | 48 |
| Loss of foreign exchange arising from investment in ENC | 9,750,000.00 | 3,900,000.00 | 975,000.00 | 6,825,000.00 | 2,925,000.00 | 18 |
| Overhaul expense | 17,697,407.87 | 17,487,407.87 | 3,449,369.45 | 3,659,369.45 | 14,038,038.42 | 30 |
| Others | 2,390,140.91 | 2,274,670.71 | 1,961,341.43 | 2,076,811.63 | 313,329.28 | 6 |
| Total | 41,249,098.78 | 29,073,719.83 | 6,956,288.38 | 19,131,667.33 | 22,117,431.45 | |

15. Short Term Loans

Consolidated

| Type | 30th June 2001 | | | 31st December 2000 | | |
|------------------------------|----------------|----------------|-----------------------|-----------------------|-----------|----------------|
| | Principal | RMB | Loan period | Monthly interest rate | Principal | RMB |
| Bank Loans | | | | | | |
| Including: security (Note H) | RMB | 92,020,000.00 | 2000.09.28-2002.05 | 5.361 | RMB | |
| | | 91,400,000.00 | | | | |
| Guarantee | RMB | 497,530,000.00 | 2000.09.10-2002.05.10 | 4.65-6.3375 | RMB | |
| | | 441,530,000.00 | | | | |
| Banking facilities | RMB | 1,038,900.00 | 2001.06-2001.08 | 6.138 | RMB | 500,000.00 |
| Total | | 590,588,900.00 | | | | 533,430,000.00 |

The above loans were not overdue during the period.

16. Bills Payable

Consolidated

For the closing balance of the bills payable, a guarantee fund equivalent to RMB435,000,000.00 was deposited.

17. Accounts Payable

Consolidated

The closing balance of accounts payable does not include any amount due to holders with 5% or above shareholding in the Company.

18. Receipts in Advance

Consolidated

The closing balance of receipts in advance does not include any amount due to holders with 5% or above shareholding in the Company.

19. Taxes Payable

Consolidated

| Type | 30th June 2001 31st December 2000 | |
|---|-----------------------------------|---------------|
| | RMB | RMB |
| Business tax | 1,503,285.94 | 2,023,600.98 |
| Value added tax | 48,195,043.88 | 36,010,723.97 |
| City maintenance and construction tax | 19,367,217.43 | 19,458,950.84 |
| Enterprise income tax | 5,585,051.52 | 4,849,667.70 |
| Land use tax | 748,000.00 | 748,000.00 |
| Property tax | 2,642,808.47 | 2,642,808.47 |
| Transportation use tax | 5,780.00 | 5,780.00 |
| Education surcharge | 17,379.73 | 2,794.41 |
| Deduction and advance payment for individual income tax | (745,700.17) | (777,692.47) |
| Stamp tax | - | (69,144.80) |
| Total | 77,318,866.80 | 64,895,489.10 |

20. Other Payables

Consolidated

The closing balance of other payables includes amount due to holders with 5% or above shareholding in the Company. Details are set out in note E(c).

21. Accrued Expenses

Consolidated

| Items balance | 30th June 2001 | 31st December 2000 | Nature of closing |
|------------------------------|----------------|--------------------|--------------------------------------|
| | <i>RMB</i> | <i>RMB</i> | |
| Interest | 270,596.99 | 416,685.11 | Loan interest payable |
| Rent | 1,154,222.01 | 702,985.33 | Rent payable |
| Intermediaries' remuneration | 1,994,256.83 | 4,200,000.00 | Intermediaries' remuneration payable |
| Processing fee | 709,467.45 | 326,319.25 | Unsettled processing fee |
| Advertising fee | 508,237.53 | 823,794.90 | Unsettled advertising fee |
| Repair fee | 41,000.00 | 14,858.48 | Repair fee payable |
| Water and electricity fees | 366,266.58 | - | Water and electricity fees payable |
| Others | 449,947.43 | 565,859.21 | |
| Total | 5,493,994.82 | 7,050,502.28 | |

22. Financial Expenses

Consolidated

| Type | Jan-Jun 2001 | Jan-Jun 2000 |
|-----------------------|---------------|---------------|
| | <i>RMB</i> | <i>RMB</i> |
| Interest expenses | 25,904,734.43 | 11,748,971.02 |
| Less: interest income | 2,479,250.67 | 3,715,501.33 |
| Exchange loss | 4,682.87 | - |
| Less: exchange gain | - | 53,318.16 |
| Others | 226,519.19 | 86,105.32 |
| Total | 23,656,685.82 | 8,066,256.85 |

Reason for change: a substantial increase in loan interest and discounted interest when compared with the same period of last year.

23. Investment Income

Consolidated

| Type | Jan-Jun 2001 | Jan-Jun 2000 |
|--|---------------------|---------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Short term investment | | |
| Including: income from equity investment | 1,126,396.24 | - |
| Long term investment | | |
| Including: on basis of equity method | 139,170,746.38 | 54,819,042.87 |
| Amortisation for difference in equity investment | 11,862.73 | - |
| Total | 140,309,005.35 | 54,819,042.87 |

The Company received an investment income of RMB123,947,663.83 from Nanjing Ericsson Panda Communication Co., Ltd. , an associated company, for the period as adjusted on the basis of equity method.

24. Non-operating Expenses

Consolidated

| Type | Jan-Jun 2001 | Jan-Jun 2000 |
|---|---------------------|---------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Income from local fund | 598,817.29 | - |
| Net loss arising from handling of fixed assets | 2,209,730.52 | - |
| Penalty fee, net | 19,469.29 | - |
| Provision for diminution in value of construction in progress | 398,756.16 | 414,858.50 |
| Donation expense | 317,272.00 | - |
| Others | 26,733.34 | 345,167.42 |
| Total | 3,570,878.60 | 760,025.92 |

25. Supplementary Information to Profit (Loss) Statement

Consolidated

| Item | Jan-Jun 2001 | Jan-Jun 2000 |
|-------------|---------------------|---------------------|
|-------------|---------------------|---------------------|

| | <i>RMB</i> | <i>RMB</i> |
|---|--------------|--------------|
| Increase (or decrease) in total profit due to the change of accounting policies | 1,214,225.48 | 1,307,699.51 |
| Percentage of the total above items to the net profit for the period | 1.53% | 3.50% |

E. 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 E(a) to the financial statements, shareholders of the Company who have controlling relationship and related parties without controlling relationship.

(1) Related parties with controlling relationship are shown as follows:

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

(2) The registered capital of related parties with controlling relationship remained unchanged, as set out in note E(a) and E1(1)

(3) The share and interest held by related parties with controlling relationship remained unchanged, as set out in note E(a) and E1(1)

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 TV Co., Ltd. | under the same parent company |

| | |
|---|-------------------------------|
| Nanjing Ericsson Panda Communication Co., Ltd. | associated company |
| Nanjing Le Jin Panda Electrical Appliance Co., Ltd. | under the same parent company |
| Nanjing 21st Century Technology Plaza Co., Ltd | under the same parent company |
| Nanjing Sharp Electronic Co., Ltd. | associated company |
| Panda Electronic Group Duantong Company | under the same parent company |
| Panda Electronic (Hong Kong) Co., Ltd. | under the same parent company |
| PEGL Wireless Telecommunications Co. | under the same parent company |
| Panda Electronics (Kunshan) Co., Ltd. | under the same parent company |
| Nanjing Panda TV Co., Ltd. | under the same parent company |

(b) Consolidated Related Party Transactions

1. Purchase of Goods

Details of the purchase orders placed by the Company with connected parties in the reporting period and the corresponding period in the previous year are listed as follows:

| Connected party | Jan-Jun 2001 | Jan-Jun 2000 |
|--|---------------------|---------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Nanjing Ericsson Panda Mobile Terminals Co., Ltd. | 199,733,711.40 | 118,670,093.00 |
| Nanjing Ericsson Panda Communication Co. Ltd. | 171,621,013.28 | - |

Pricing policy: fair market price

2. Sale of Goods

Details of the sale orders placed by connected parties with the Company in the reporting period and the corresponding period in the previous year are listed as follows:

| Connected party | Jan-Jun 2001 | Jan-Jun 2000 |
|--|---------------------|---------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Nanjing Panda Television Co., Ltd. | 3,924,972.28 | 7,526,649.46 |
| Nanjing Le Jin Panda Electrical Appliance Co., Ltd. | 1,463,710.98 | - |

| | | |
|--|----------------|---|
| Panda Electronics Group Limited | 33,405,400.00 | - |
| Nanjing Ericsson Panda Communication Co., Ltd. | 173,514,073.82 | - |

Pricing policy: fair market price

3. Receipt of labour services

Details of the labour services received by the Company from connected parties in the reporting period and the corresponding period in the previous year are listed as follows:

| Connected party | Jan-Jun 2001 <i>RMB</i> | Jan-Jun 2000 <i>RMB</i> |
|---------------------------------|-----------------------------------|-----------------------------------|
| Panda Electronics Group Limited | 5,464,312.17 | 3,772,330.00 |

Pricing policy: fair market price

4. Offer of labour services

Details of the labour services offered by the Company to connected parties in the reporting period and the corresponding period in the previous year are listed as follows:

| Connected party | Jan-Jun 2001 <i>RMB</i> | Jan-Jun 2000 <i>RMB</i> |
|--|-----------------------------------|-----------------------------------|
| Nanjing Ericsson Mobile Terminal Co., Ltd. | 2,103,118.90 | 1,143,591.67 |
| Panda Electronic Group Duantong Company | 718,181.45 | 1,579,567.07 |

Pricing policy: fair market price

5. Guarantee

The loan of RMB394,100,000.00 to the Company was guaranteed by Panda Electronics Group Limited.

6. Staff Quarters

(1) In accordance with a tenancy agreement dated 18th March 1996 between the Company and Panda Electronics Group Limited and the supplemental tenancy agreement dated 20th October 2000, the Company leases the plant with a gross area of 8,626.81 square meters situated at Plant Area, No. 301 Zhongshan Road East, Nanjing City to Panda Electronics Group Limited at a yearly rental of RMB1,192,300. The tenancy agreement will expire in March 2006.

(2) The Company leases the first to fifth floors of Building No. 54 situated at Plant Area, No. 301 Zhongshan Road East, Nanjing City to Nanjing Ericsson Panda Mobile Terminals Co., Ltd. The rental receivable for the report period amounted to RMB2,548,105.98.

7. In accordance with the Liability Transfer Agreement entered into among the Company, Panda Electronics Group Limited and Nanjing Panda Electronic Import/Export Company on 11th June 2001, Panda Electronics Group Limited agreed that Nanjing Panda Electronic Import/Export Company shall repay the amount of RMB95,000,000 due to Panda Electronic Group Limited on behalf of the Company.

(c) Balance of Accounts Receivable and Payable to Related Parties

| Items | Amount/Percentage to each of the balance | | | |
|----------------------------|--|--------------------|----------------|--------------------|
| | 30th June 2001 | 31st December 2000 | 30th June 2001 | 31st December 2000 |
| | <i>RMB</i> | <i>RMB</i> | % | % |
| Accounts receivable: | | | | |
| Nanjing Ericsson Panda | | | | |
| Communication Co., Ltd. | 1,775,995.81 | - | 1.39 | - |
| Nanjing Panda TV Co., Ltd. | 29,380,705.75 | 34,965,318.19 | 23.07 | 24.62 |
| Prepayment: | | | | |
| Nanjing Panda Electronic | | | | |
| Import/Export Co. | 38,291,686.95 | 131,326,842.51 | 57.68 | 80.87 |
| Other receivables: | | | | |
| Panda Electronics | | | | |
| (Hong Kong) Co., Ltd | 12,411,294.80 | 12,411,294.80 | 11.86 | 4.52 |
| Dongguan Panda TV | | | | |
| Co., Ltd | 1,807,567.30 | 3,300,000.00 | 1.73 | 1.20 |
| Nanjing 21st Century | | | | |

| | | | | |
|---|---------------|---------------|-------|-------|
| Technology Plaza Co., Ltd. | 3,040,825.70 | - | 2.90 | - |
| Panda Electronics (Kunshan) Co., Ltd. | 2,660,000.00 | 1,660,000.00 | 2.54 | 0.60 |
| Accounts payable: | | | | |
| Nanjing Ericsson Panda Mobile Terminals Co., Ltd. | 56,870,061.06 | 66,591,885.42 | 53.65 | 52.93 |
| Other payables: | | | | |
| Panda Electronics Group Limited | 39,328,280.45 | 48,533,441.99 | 25.76 | 36.79 |
| PEGL Wireless Telecommunication Co., Ltd. | 5,776,805.42 | - | 3.78 | - |

F. Commitment

As at 31st December 2001, 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 RMB1,750,000.00 to this project.
5. The Company jointly established MPower Batteries Nanjing Limited with British MPower Batteries Limited, Hong Kong Yung-shing Enterprise Co., Ltd. The Company

has to invest the balance of RMB1,800,000.00 to this project.

G. Contingent issues

(1) As at 31st December 2001, the Company provided guarantees in respect of 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..

H. 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 building 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 RMB6,621,600.00 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. It also pledged USD82,000.00 as security for a loan of RMB620,000.00 from Agricultural Bank of China, Suojin Village branch. The period for the security is to May 2002.

I. Subsequent Events

The Company recovered the trust fund of RMB120 million with Jiangsu Xingsheng Investment Management Co., Ltd. on 9th August 2001.