

VI. Significant Events

(1) Corporate Governance

Pursuant to the requirements of Notice of Review on Establishing Modernized Corporate Systems for Listed Companies (Zheng Jian Fa (2002) 32 Document) (關於開展上市公司建立現代企業制度檢查的通知(證監發[2002]32號文) issued by China Securities Regulatory Commission and State Economic and Trade Commission and according to Corporate Governance Standards for Listed Companies (上市公司治理準則), the Company worked diligently to build modernized corporate systems and made self-review of corporate governance in the reporting period, and prepared a self-review report. The report has been submitted to the relevant authorities as required after considered and approved by the Board of Directors. The Board of Directors is of the opinions that the Company was on the whole in compliance with the requirements of regulations and strictly in compliance with the relevant requirements of modernized corporate systems in operations. The Company shall continue to improve the corporate governance of the Company. Based on problems revealed by self-review, the Company will promptly propose remedies and improvements. The Company will use the review as a foundation to further improve systems, organize behavior, enhance integrity and accelerate the pace for building modernized corporate systems, in an effort to reach a milestone in terms of corporate governance of the Company.

In view of practical circumstance of the Company, The Company will establish a special committee of the Board of Directors within this year, in order to further regulate operations of the Board of Directors. As for the double up duty of the general manager, the Company will coordinate with the relevant authorities to resolve such problem as soon as possible.

- (2) During the reporting period, the Company did not make any profit appropriation which was recommended previously for distribution in this period. No reserves were transferred to increase the share capital and no new shares were issued.
- (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, sale or disposal of assets of material importance during the reporting period.
- (5) During the reporting period, there were no related party transactions of material importance by the Company.

(6) Significant Contracts

1. In the reporting period(or in the previous period, but deferred to be executed in this period), there was no custody, subcontracting or lease of other companies' assets by the Company nor was there any custody, subcontracting or lease of the Company's assets by other companies.
2. Significant Guarantee:
As at 30th June 2002, the Company provided guarantees in respect of bank loan of RMB70 million for Nanjing Zhongda Mode (Group) Co., Ltd, an independent third party of the Company, and acceptance of bills of exchange of RMB68.5 million for Nanjing Cantai Electronic Co., Ltd., and bank loan of RMB80 million for Nanjing Panda Mobile Communication Equipment Co., Ltd., a subsidiary of the Company. The total value of guarantee amounted to RMB218.5 million. (Announcements containing above information were published at Shanghai Securities Daily, China Securities, Wen Wei Po (Hong Kong) and Hong Kong iMail on 19th April 2002 and 16th May 2002.)
3. During the reporting period(or in the previous period, but deferred to be executed in this period), there were no assets of material importance managed by other trustees .

(7) During the reporting period(or in the previous period, but deferred to be executed in this period), neither the Company nor any shareholder holding 5% or more shareholding made any commitments which would have potential material impact on the operational results and financial position of the Company.

(8) At the Annual General Meeting held on 9th May 2002, it was approved that Shenzhen Dahua Tiancheng Certified Public Accountants be appointed as the PRC auditors of the Company for 2002; and Horwath Hong Kong CPA Limited, Hong Kong Certified Public Accountants, be appointed as the international auditors of the Company for 2002.

(9) Other Matters:

1. Income tax
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.
2. Staff Quarters
In respect of the purchases of staff quarters by employees of the Company, such staff quarters are owned by Panda Electronics Group Company 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 for the period ending 30th June 2002.
3. Purchase, Sale or Redemption of Securities
During the reporting period, the Company did not purchase, sell or redeem any of the Company's listed securities.
4. The Code of Best Practice
None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the reporting period in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").