

VII. FINANCIAL REPORT (Prepared in accordance with PRC Accounting Rules and Regulations) (Unaudited)

Prepared under Accounting Regulations of the People's Republic of China for Enterprises:

Balance Sheet

As at 30 June 2002

Assets	30 June 2002		31 December 2001	
	Consolidated RMB	Company RMB	Consolidated RMB	Company RMB
Current assets:				
Cash and bank balances	426,809,270.41	130,223,103.59	165,070,274.80	60,575,769.66
Short term investment	190,000,000.00	190,000,000.00	171,718,408.21	104,999,206.00
Bills receivable	12,465,379.54	8,000,000.00	78,557,872.40	75,100,000.00
Dividends receivable	4,211,562.69	4,211,562.69	3,500,295.45	4,511,562.69
Interest receivable	—	—	—	—
Accounts receivable	138,839,573.34	18,422,112.18	127,647,982.33	21,953,922.81
Other receivables	72,597,594.71	109,017,064.45	63,658,562.97	89,569,171.25
Prepayments	91,143,251.04	52,271,062.98	59,283,490.74	45,773,040.72
Subsidies receivable	—	—	—	—
Inventories	145,500,985.99	48,705,946.05	106,836,518.13	19,295,047.24
Deferred expenses	4,070,806.01	86,267.49	1,046,411.99	79,360.00
Other current assets	—	—	—	—
Total current assets	1,085,638,423.73	560,937,119.43	777,319,817.02	421,857,080.37
Long term investments:				
Long term equity investments	848,682,546.74	983,527,491.84	839,197,067.39	924,867,806.87
Long term debts investments	—	—	—	—
Total long term investments	848,682,546.74	983,527,491.84	839,197,067.39	924,867,806.87
Fixed assets:				
Fixed assets, at cost	538,089,819.78	399,543,771.13	542,312,620.58	406,610,403.60
Less: accumulated depreciation	180,360,658.19	112,425,281.45	176,433,170.61	111,789,856.56
Fixed assets, net	357,729,161.59	287,118,489.68	365,879,449.97	294,820,547.04
Less: provision for diminution in value of fixed assets	25,923,616.20	25,638,260.04	26,039,845.70	25,686,089.54
Fixed assets, net	331,805,545.39	261,480,229.64	339,839,604.27	269,134,457.50
Construction resources	—	—	—	—
Construction in progress	6,086,541.28	5,010,567.50	5,094,155.00	5,000,000.00
Clearance of fixed assets	—	—	—	—
Net loss on deferred handling of fixed assets	—	—	—	—
Total fixed assets	337,892,086.67	266,490,797.14	344,933,759.27	274,134,457.50
Intangible and other assets				
Intangible assets	82,983,512.29	81,680,185.33	90,982,514.31	89,699,185.33
Long term deferred expenses	13,248,901.20	12,981,593.85	17,296,066.35	17,296,066.35
Other long term assets	—	—	—	—
Total intangible and deferred assets	96,232,413.49	94,661,779.18	108,278,580.66	106,995,251.68
Deferred taxation				
Deferred tax	—	—	—	—
Total assets	2,368,445,470.63	1,905,617,187.59	2,069,729,224.34	1,727,854,596.42

NANJING PANDA ELECTRONICS COMPANY LIMITED

Balance Sheet (continued)

As at 30 June 2002

Assets	30 June 2002		31 December 2001	
	Consolidated RMB	Company RMB	Consolidated RMB	Company RMB
Current liabilities:				
Short term loans	841,280,000.00	678,100,000.00	708,570,000.00	588,100,000.00
Bills payable	93,224,878.81	—	85,313,420.00	20,000,000.00
Accounts payable	92,790,801.59	19,305,499.04	66,221,625.63	12,593,951.64
Receipts in advance	67,041,303.15	28,167,804.60	24,441,673.49	1,342,237.00
Accrued salaries	733,964.40	—	2,460,749.06	1,547,000.35
Staff welfare payable	5,800,400.62	1,344,955.55	5,480,448.35	359,803.86
Dividends payable	—	—	—	—
Taxes payable	63,858,876.20	60,217,253.28	63,869,150.54	59,203,365.69
Sundry payables	5,713,145.98	5,272,073.83	7,526,421.00	7,262,293.88
Other payables	127,559,051.87	118,817,778.73	115,973,238.44	79,188,303.52
Accrued expenses	10,168,593.44	1,969,556.43	9,370,658.90	6,448,432.70
Estimated provisions	—	—	—	—
Other current liabilities	—	—	—	—
Total current liabilities	1,308,171,016.06	913,194,921.46	1,089,227,385.41	776,045,388.64
Long term liabilities:				
Long term borrowing	—	—	—	—
Bonds payable	—	—	—	—
Long term payables	38,000,000.00	38,000,000.00	18,000,000.00	18,000,000.00
Special payable	—	—	—	—
Other long term liabilities	—	—	—	—
Total long term liabilities	38,000,000.00	38,000,000.00	18,000,000.00	18,000,000.00
Deferred tax:				
Deferred tax loan	11,550.64	11,550.64	11,550.64	11,550.64
Total liabilities	1,346,182,566.70	951,206,472.10	1,107,238,936.05	794,056,939.28
Minority interests:				
Minority interests	62,824,762.57	—	23,413,198.88	—
Shareholders' funds:				
Share capital	655,015,000.00	655,015,000.00	655,015,000.00	655,015,000.00
Capital reserve	478,598,042.82	478,598,042.82	478,522,497.28	478,522,497.28
Surplus reserve	188,137,542.53	188,137,542.53	188,137,542.53	188,137,542.53
Including: statutory public welfare fund	38,425,804.71	38,425,804.71	38,425,804.72	38,425,804.72
Undistributed profits	(362,312,443.99)	(367,339,869.86)	(382,597,950.40)	(387,877,382.67)
Total shareholders' funds	959,438,141.36	954,410,715.49	939,077,089.41	933,797,657.14
Total liabilities and shareholders' funds	2,368,445,470.63	1,905,617,187.59	2,069,729,224.34	1,727,854,596.42

NANJING PANDA ELECTRONICS COMPANY LIMITED

Profit and Loss Statement

From January - June 2002

Items	Jan-Jun, 2002		Jan-Jun, 2001	
	Consolidated RMB	Company RMB	Consolidated RMB	Company RMB
1. Revenues from principal operations	328,825,023.17	48,284,163.19	565,738,076.93	219,492,426.20
Less: Principal operating cost	288,841,311.59	43,591,297.78	514,008,388.83	207,682,107.19
Principal business taxes and surcharges	861,292.33	1,660.56	525,569.88	—
2. Profit from principal operations	39,122,419.25	4,691,204.85	51,204,118.22	11,810,319.01
Add: Other operating profit	10,391,087.35	8,997,178.52	5,556,799.00	4,607,013.53
Less: Sales expenses	7,196,827.98	154,193.14	22,504,013.11	83,647.04
Administrative expenses	54,645,557.26	39,380,734.05	67,024,440.05	52,455,696.45
Financial expenses	22,089,589.29	17,926,245.35	23,656,685.82	18,758,585.32
3. Operating profit	(34,418,467.93)	(43,772,789.17)	(56,424,221.76)	(54,880,596.27)
Add: Investment return	63,498,575.95	64,982,293.06	140,309,005.35	136,548,549.50
Subsidy income	377,000.00	—	650,000.00	—
Non-operating income	113,641.17	68,687.36	198,263.17	39,569.16
Less: Non-operating expenses	1,010,550.01	740,678.44	3,570,878.60	3,093,243.52
4. Total profit	28,560,199.18	20,537,512.81	81,162,168.16	78,614,278.87
Less: Income tax	661,175.31	—	1,057,001.02	—
Minority interests	7,613,517.46	—	995,203.32	—
5. Net profits	20,285,506.41	20,537,512.81	79,109,963.82	78,614,278.87
Add: Unallocated profits at the beginning of year	(382,597,950.40)	(387,877,382.67)	(562,017,363.59)	(567,964,097.44)
Other transfers	—	—	—	—
6. Profits available for distribution	(362,312,443.99)	(367,339,869.86)	(482,907,399.77)	(489,349,818.57)
Less: Transfer to statutory surplus reserve	—	—	—	—
Transfer to statutory public welfare fund	—	—	—	—
Transfer to welfare and awarding fund	—	—	—	—
7. Profits available for distribution to shareholders	(362,312,443.99)	(367,339,869.86)	(482,907,399.77)	(489,349,818.57)
Less: Dividend payable for preference shares	—	—	—	—
Transfer to discretionary statutory surplus reserve	—	—	—	—
Dividend payable for ordinary shares	—	—	—	—
Scrip dividend	—	—	—	—
8. Undistributed profits	(362,312,443.99)	(367,339,869.86)	(482,907,399.77)	(489,349,818.57)

Statement of Cash Flows

From January to June 2002

Items	Consolidated RMB	Company RMB
1. Cash flows from operating activities:		
Cash received from sale of goods and services period	385,791,031.66	73,348,105.10
Tax refund	1,496,113.19	—
Other cash received relating to operating activities	3,682,812.97	3,636,220.72
Cash inflow, sub-total	<u>390,969,957.82</u>	<u>76,984,325.82</u>
Cash paid on purchase of goods and services	319,184,072.17	50,039,656.26
Cash paid to staff and paid on behalf of staff	35,012,492.55	19,946,974.05
Tax paid	14,209,384.77	3,335,574.63
Other cash paid relating to operating activities	43,175,047.47	12,876,835.88
Cash outflow, sub-total	<u>411,580,996.96</u>	<u>86,199,040.82</u>
Net cash flows from operating activities	<u>(20,611,039.14)</u>	<u>(9,214,715.00)</u>
2. Cash flows from investment activities:		
Cash proceed arising from investments recovered	78,000,000.00	—
Cash received from investment income	42,304,812.13	40,378,812.13
Net cash proceed on the disposal of fixed assets, intangible assets and other long term assets	146,901.00	144,351.00
Other cash receipts relating to investment activities	—	—
Cash inflow, sub-total	<u>120,451,713.13</u>	<u>40,523,163.13</u>
Net cash paid on purchase of fixed assets, intangible assets and other long term assets	3,785,773.85	93,012.50
Cash paid for investment	85,000,000.00	146,940,000.00
Other cash paid relating to investment activities	—	—
Cash outflow, sub-total	<u>88,785,773.85</u>	<u>147,033,012.50</u>
Net cash flows from investment activities	<u>31,665,939.28</u>	<u>(106,509,849.37)</u>
3. Cash flows from financing activities:		
Cash received from equity investment	32,790,000.00	—
Cash received from borrowing	768,650,000.00	606,650,000.00
Cash received from other financing activities	—	—
Cash inflow, sub-total	<u>801,440,000.00</u>	<u>606,650,000.00</u>
Cash paid on repayment of debts	526,710,000.00	402,550,000.00
Cash paid on distribution of dividends or profits and interest repayment	23,906,704.53	18,588,901.70
Cash paid on other financing activities	139,200.00	139,200.00
Cash outflow, sub-total	<u>550,755,904.53</u>	<u>421,278,101.70</u>
Net cash flows from financing activities	<u>250,684,095.47</u>	<u>185,371,898.30</u>
4. Effect on cash due to foreign currency exchange	—	—
5. Net increase in cash and cash equivalents	<u>261,738,995.61</u>	<u>69,647,333.93</u>

Supplementary Information

	Consolidated <i>RMB</i>	Company <i>RMB</i>
1. Cash flows involving the adjustment of net profit to operating activities		
Net profit	20,285,506.41	20,537,512.81
Add: provision for diminution in value of assets	2,038,094.49	2,712,881.02
Depreciation of fixed assets	10,956,153.43	7,406,818.27
Amortisation of intangible assets	8,099,002.02	8,019,000.00
Amortisation of long term deferred expenses	4,315,990.65	4,314,472.50
Decrease in deferred expenses (less: increase)	(3,024,394.02)	(69,074.49)
Increase in prepayments (less: decrease)	797,934.54	(4,478,876.27)
Loss arising from disposal of fixed assets, intangible assets and other long term assets (less: income)	(53,750.71)	(62,880.71)
Loss in written off of fixed assets	—	—
Financial expenses	22,089,589.29	17,926,245.35
Loss in investment (less: income)	(63,498,575.95)	(64,982,293.06)
Loans for deferred tax (less: borrowing)	—	—
Decrease in inventories (less: increase)	(38,664,467.86)	(29,410,898.81)
Decrease in trade debtors (less: increase)	(61,305,700.30)	(5,625,000.94)
Increase in trade creditors (less: decrease)	77,353,578.87	34,497,379.33
Others	—	—
	<u>(20,611,039.14)</u>	<u>(9,214,715.00)</u>
2. Non-cash investments and financing activities		
Bonds converted to capital	—	—
Convertible bonds with maturity within one year	—	—
Fixed assets under financial lease	—	—
3. Net increase in cash and cash equivalents		
Cash balance as at end of the period	426,809,270.41	130,223,103.59
Less: Cash balance as at beginning of the period	165,070,274.80	60,575,769.66
Add: Cash equivalents as at end of the period	—	—
Less: Cash equivalents as at beginning of the period	—	—
	<u>261,738,995.61</u>	<u>69,647,333.93</u>

Notes to the Financial Statements

(Unless stated otherwise, expressed in RMB)

Note 1. Changes in the Current Year's Accounting Policy and Consolidated Financial Statements and Their Effects

1. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001, there was no change in accounting policy.

2. During this period, movements of consolidated results compared with the previous period are as follows:

Nanjing Hua Ge Electronic & Plastic Co., Ltd. was incorporated at the end of the year 2001. During this period, it commenced business and recognized as part of the consolidated result.

Nanjing Panda Mobile Communication Equipment Co., Ltd., Nanjing Panda Machinery Co., Ltd. and Nanjing Panda Ju Neng Small Home Electronic Appliance Co., Ltd. were incorporated in 2002, and recognized as part of the consolidated result.

Note 2. Tax

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

Tax	Basis of calculation	Tax rate
Value-added tax	Sales income	17%
Sales tax	Service income	5%
Urban development tax	Sales tax or value-added tax paid	7%
Education surcharge	Sales tax or value-added tax paid	4%
Enterprise income tax	Assessable income	10%-33%

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.

The Company's subsidiary Nanjing Panda International Telecommunication System Co. Ltd. is a production based technologically advanced foreign enterprise. The registration location is the Nanjing High Technology Asset Development Zone, and has obtained a profit tax rate of 10% for the 2001-2003 year from the tax department.

By obtaining the Nanjing State Tax New High Technology Development Zone Ning Guo Shui (Gao Liu) Zi (2001) No. 05 Approval Document, the Company has obtained a value-added tax exemption for some of its produced satellite telecommunication products from December 2001 to December 2002.

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Note 3. Controlling Subsidiaries and Associated Companies

1. The Subsidiaries Included in the consolidated financial statements are as follows:

Full name of subsidiaries	Registered representative	Registered capital '0000	% of equity held		Actual capital invested '0000	Core business	Consolidation Yes (No)	Note
			Direct	Indirect				
Nanjing Panda Electronic Material Co., Ltd.	Liu Zhilin	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 liaju	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 Electronic Plastic Installing Plant	Wang Wenbai	RMB1,225.00	71.94	—	RMB844.83	PVC, ABS products	Yes	
Nanjing Panda Information Industry Co., Ltd.	Li Anjian	USD340.00	72	—	RMB2,100.00	development, production and sale of electronic information products	Yes	
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 Wenhui	RMB4,500.00	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	RMB500.00	50	—	RMB250.00	production of equipment and spare parts for electronic industry; processing of sophisticated machinery	Yes	
Nanjing Panda Netcom Technology Co. Ltd	Li Anjian	RMB500.00	70	—	RMB350.00	develop, produce and sell network communication system,, software and products	Yes	
Nanjing Panda Mechanical Manufacturing Co. Ltd.	Li Anjian	RMB500.00	70	—	RMB350.00	metal components	Yes	
Nanjing Panda Mobile Communication Equipment Co., Ltd.	Li Anjian	RMB6,000.00	51	—	RMB3,060.00	communication equipment	Yes	

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Full name of subsidiaries	Registered representative	Registered capital '0000	% of equity held		Actual capital invested '0000	Core business	Consolidation	
			Direct	Indirect			Yes (No)	Note
Nanjing Panda Machinery Co., Ltd.	Li Anjian	RMB300.00	70	—	RMB210.00	parts of machineries	Yes	
Nanjing Panda Ju Neng Small Home Electronic Appliance Co., Ltd.	Li Anjian	RMB100.00	51	—	RMB51.00	Home electronic appliance	Yes	
Nanjing Huage Dian Qi Plastic Industrial Co. Ltd	Li Anjian	RMB500.00	60	—	RMB300.00	plastic product & accessories	No	
Nanjing Panda Huage Dian Qi Plastic Industrial Co. Ltd	Wang 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 Advertise-Ment Company	Gao Sifeng	RMB100.00	100	—	RMB60.00	design and production of video, printing advertisement	No	Note 1
Nanjing Panda Electronic Eastern Suburb Technology Department	In Songlin	RMB50.00	100	—	RMB50.00	hardware and electronic labour products	No	Note 1
Nanjing Panda Chenguang Electronic Co. Ltd.	Wang Songshan	USD180.00	51	—	RMB760.08	production and sale of monitors	No	Note 1
Shenzhen Panda Golden Card Enterprise Co. Ltd.	Zhou Zhenyu	RMB600.00	60	—	RMB360.00	development of IC card computer software	No	Note 1
Nanjing Panda Broadcast and Television Products Repair and Maintenance Center	Xiong Yongzhou	RMB50.00	100	—	RMB50.00	repair/maintenance of electronic products	No	Note 1
Nanjing Panda Computer Co. Ltd.	Chen Xiangxing	RMB500.00	100	—	RMB500.00	production and sale of computers	No	Note 1
Nanjing Asia-Pacific Satellite Communication Company	Song Yueming	RMB50.00	100	—	RMB50.00	satellite communication service, electronic system design	No	Note 1
Nanjing Panda Medical Electronics Co. Ltd	Li Anjian	RMB100.00	—	50	RMB50.00	Research & manufacturing of medical equipment	No	
Nanjing Panda Electronics (Kunshan) Co. Ltd	Liu Quan	USD50.00	—	40	USD20.00	Electronic components and monitors	No	

Note 1. These companies have terminated their operation and are in a stage of clearing. As such, their financial statements will not be consolidated and the Company's investments in these subsidiaries have been reduced to a book value of zero.

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2. Associated Companies

Company name	Place of registration	Legal representative	Registered capital ('0000)	Actual investment amount ('0000)	Percentage of shareholding	Principle business
Nanjing Ericsson Panda Communication Co. Ltd	Nanjing	Michael Ricks	USD2,090.00	RMB6,086.33	43	Manufacturing and sale of distance interchangeable machine and base station
Nanjing Sharp Electronic Co. Ltd	Nanjing	近藤泰彦	USD2,458.00	RMB6,142.54	30	LCD television and multi-media display terminal
Nanjing Microcell Mobile Terminal Co. Ltd (Note 1)	Nanjing	Jan Main	USD1,200.00	RMB3,476.94	35	Develop manufacture, produce and sell information communication terminal equipment
Shenzhen Jinghua Electronic Company, Shenzhen	Shenzhen	Li Suqin	RMB11,507.00	RMB6,968.74	38.03	Produce and sell communication equipment, electronic products
Jiangsu Software Industrial Co. Ltd	Nanjing	Chiu Guojing	RMB19,800.00	RMB6,930.00	35	Research & develop computer system integration and software
Intenna (Nanjing) Co. Ltd	Nanjing	Olof Lenneman	RMB1,000.00	RMB175.00	35	Research, produce and sell antenna systems
Nanjing Lingyuan Information Co. Ltd	Nanjing	Zhang Weiwei	RMB50.00	RMB15.00	30	Provide sub-channel information service
MPower Batteries (Nanjing) Co. Ltd	Nanjing	Barrie Lawson	RMB1,050.00	RMB240.00	40	Produce mobile telecommunication batteries
Nanjing Panda Tamura Communication Equipment Co. Ltd	Nanjing	Li Anjian	USD80.00	RMB331.08	50	Develop and manufacture auxiliary power source for communication and computer products
Nanjing Panda Hitachi Technology Co. Ltd	Nanjing	Li Anjian	JPY20,000.00	RMB653.32	49	SMTC surface installation technology, SMT printer

Note 1. Its former name was Nanjing Ericsson Mobile Terminal Co. Ltd. The change was made during the year due to a change in the shareholding of foreign shareholders.

Note 4. Notes to the Principal Financial Statement (Unless otherwise stated, the following figures are consolidated)

1. Cash and Bank Balances

Item	Currency	30 June 2002 <i>RMB</i>	31 December 2001 <i>RMB</i>
Cash on hand	RMB	<u>320,188.36</u>	<u>268,790.66</u>
Sub-total		<u>320,188.36</u>	<u>268,790.66</u>
Cash in bank	RMB	240,988,011.95	136,137,655.49
	HKD	—	9,834.72
	USD	<u>2,387,692.41</u>	<u>8,623,711.58</u>
Sub-total		<u>243,375,704.36</u>	<u>144,771,201.79</u>
Other monetary fund	RMB	<u>183,113,377.69</u>	<u>20,030,282.35</u>
Sub-total		<u>183,113,377.69</u>	<u>20,030,282.35</u>
Total		<u><u>426,809,270.41</u></u>	<u><u>165,070,274.80</u></u>

Closing balance increased from opening balance, because short-term facilities increased and notes outstanding since last year were redeemed.

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

(1) Details of Short Term Investment

Item	30 June 2002		31 December 2001	
	Investment amount <i>RMB</i>	Provision for diminution <i>RMB</i>	Investment amount <i>RMB</i>	Provision for diminution <i>RMB</i>
Share investment (listed and outstanding shares)	—	—	75,606,203.26	8,887,001.05
Bond investment (Treasury bonds)	190,000,000.00	—	104,999,206.00	—
Other investment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u><u>190,000,000.00</u></u>	<u><u>—</u></u>	<u><u>180,605,409.26</u></u>	<u><u>8,887,001.05</u></u>

3. Bills Receivable

Type	30 June 2002 <i>RMB</i>	31 December 2002 <i>RMB</i>
Bank acceptance notes	12,465,379.54	2,110,081.37
Commercial notes	<u>—</u>	<u>76,447,791.03</u>
Total	<u><u>12,465,379.54</u></u>	<u><u>78,557,872.40</u></u>

Closing balance was lower than opening balance, because notes outstanding since last year were redeemed.

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4. Dividends Receivable

Item	30 June 2002	31 December 2001
	<i>RMB</i>	<i>RMB</i>
Dividends from long term equity investments — on the basis of equity method	<u>4,211,562.69</u>	<u>3,500,295.45</u>

5. Accounts Receivable

Age	30 June 2002			31 December 2001		
	Amount	Percentage	Provision for	Amount	Percentage	Provision for
	<i>RMB</i>	<i>%</i>	<i>bad debts</i>	<i>RMB</i>	<i>%</i>	<i>bad debts</i>
			<i>RMB</i>			<i>RMB</i>
Within 1 year	126,333,025.90	85.61	3,789,990.78	111,361,768.00	82.94	1,759,254.18
1-2 years	11,614,448.55	7.87	696,866.91	11,251,750.84	8.38	571,169.37
2-3 years	4,891,781.24	3.32	1,467,534.37	8,136,783.40	6.06	1,790,814.14
More than 3 years	4,721,327.02	3.20	2,766,617.31	3,518,489.60	2.62	2,499,571.82
Total	<u>147,560,582.71</u>	<u>100</u>	<u>8,721,009.37</u>	<u>134,268,791.84</u>	<u>100</u>	<u>6,620,809.51</u>

The five biggest debts totaled RMB71,582,356.56 accounting for 48.51% of the total value of the accounts receivable.

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

The Company believed there was no concrete evidence to suggest accounts receivable with over 3 years of age are non-recoverable.

6. Other Receivables

Age	30 June 2002			31 December 2001		
	Amount	Percentage	Provision for	Amount	Percentage	Provision for
	<i>RMB</i>	<i>%</i>	<i>bad debts</i>	<i>RMB</i>	<i>%</i>	<i>bad debts</i>
			<i>RMB</i>			<i>RMB</i>
Within 1 year	32,042,979.54	30.69	961,289.39	35,275,360.96	37.17	452,075.64
1-2 years	18,129,050.83	17.36	1,087,743.05	10,136,866.48	10.68	2,498,797.34
2-3 years	5,059,024.37	4.85	1,517,707.31	3,979,655.22	4.19	949,714.71
More than 3 years	49,186,123.07	47.10	28,252,843.35	45,516,209.67	47.96	27,348,941.67
Total	<u>104,417,177.81</u>	<u>100</u>	<u>31,819,583.10</u>	<u>94,908,092.33</u>	<u>100</u>	<u>31,249,529.36</u>

The biggest 5 other receivables totaled RMB43,630,288.74, accounting for 41.78% of the total other receivables for the year.

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

The Company believed there was no concrete evidence to suggest that other receivables of over 3 years of age are non-recoverable.

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7. Prepayment

Age	30 June 2002		31 December 2001	
	Amount RMB	Percentage %	Amount RMB	Percentage %
Within 1 year	52,214,588.16	57.29	21,314,473.93	35.95
1-2 years	885,887.47	0.97	37,795,976.81	63.75
2-3 years	37,730,641.04	41.40	169,575.00	0.29
More than 3 years	312,134.37	0.34	3,465.00	0.01
Total	<u>91,143,251.04</u>	<u>100</u>	<u>59,283,490.74</u>	<u>100</u>

Closing prepayment did not include any amount due from holders with 5% or above shareholding in the Company.

Closing balance increased comparing to opening balance due to an increase in types of consumable mobile phones offered.

8. Stocks and Provision for Devaluation of Stocks

Item	30 June 2002		31 December 2001	
	Net balance RMB	Book value RMB	Net balance RMB	Book value RMB
Raw materials	55,274,100.24	47,352,826.85	38,519,268.60	31,093,413.88
Self-manufactured	156,318.04	156,318.04	184,313.97	135,030.48
Work in progress	50,159,478.28	48,510,500.36	25,705,214.51	24,520,431.13
Low value consumables	468,990.42	468,990.42	433,019.50	395,849.33
Stored commodities	56,000,169.34	49,012,350.32	53,787,178.13	45,264,040.45
Sub-contracted	—	—	414,632.34	414,632.34
Semi finished goods	—	—	22,064.51	22,064.51
Agency commodities	—	—	4,991,056.01	4,991,056.01
Total	<u>162,059,056.32</u>	<u>145,500,985.99</u>	<u>124,056,747.57</u>	<u>106,836,518.13</u>

Closing balance was more than opening balance due to an increase in inventory of satellite communications products.

Provision for devaluation of stocks	Opening RMB	Increase in the period RMB	Transfer to the period RMB	Closing RMB
Raw materials	7,425,854.72	495,418.67	—	7,921,273.39
Self-manufactured	49,283.49	—	49,283.49	—
Work in progress	1,184,783.38	464,194.54	—	1,648,977.92
Low value consumables	37,170.17	—	37,170.17	0.00
Stored commodities	8,523,137.68	—	1,535,318.66	6,987,819.02
Sub-contracted	—	—	—	—
Total	<u>17,220,229.44</u>	<u>959,613.21</u>	<u>1,621,772.32</u>	<u>16,558,070.33</u>

The calculation of net realized value for the above stocks was based on the latest market price after deducting expenses from realizing such stocks.

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9. Deferred Expenses

Type	31 December		Closing balance and reasons
	30 June 2001	2001	
	RMB	RMB	
Maintenance and repair expense	222,557.49	79,360.00	expense being amortised
Rent	83,983.28	73,341.97	expense being amortised
Research and development expense	1,699,968.73	—	expense being amortised
Processing expense	1,051,880.34	—	expense being amortised
Modelling expenses	294,329.97	376,908.86	expense being amortised
Advertising expenses	88,789.48	100,000.00	expense being amortised
Other	629,296.72	416,801.16	expense being amortised
Total	<u>4,070,806.01</u>	<u>1,046,411.99</u>	

Closing balance was higher than opening balance due to research and development expenses regarding mobile telecommunication products still being amortised.

10. Long Term Investment

(1) Details are as follows:

Item	30 June 2002			31 December 2001		
	Provision		Book Value	Provision for		Book Value
	Net balance	for diminution		Net balance	diminution	
	RMB	RMB	RMB	RMB	RMB	RMB
Long term equity	852,146,012.10	3,463,465.36	848,682,546.74	842,660,532.75	3,463,465.36	839,197,067.39
Including: investment in subsidiaries	358,229.63	—	358,229.63	3,409,405.29	—	3,409,405.29
investment in joint venture enterprises	3,448,158.30	—	3,448,158.30	3,310,800.00	—	3,310,800.00
investment in associated companies	844,576,158.81	—	844,576,158.81	832,476,862.10	—	832,476,862.10
Other equity investment	3,763,465.36	3,463,465.36	300,000.00	3,463,465.36	3,463,465.36	—
Long term bond investment	—	—	—	—	—	—
Total	<u>852,146,012.10</u>	<u>3,463,465.36</u>	<u>848,682,546.74</u>	<u>842,660,532.75</u>	<u>3,463,465.36</u>	<u>839,197,067.39</u>

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a. Other equity investment

Name of parites to be invested	Investment period	Shareholding percentage %	Initial investment RMB	Provision tax devaluation			Closing balance RMB
				Opening balance RMB	Increase in the period RMB	Transfer in the period RMB	
Nanjing Ericsson Panda Communication Company Limited (Note 1)	1992.09-2022.09	43.00	60,863,279.60	—	—	—	—
Nanjing Microcell Panda Mobile Terminals Co. Ltd (Note 1)	1998.11-2018.11	35.00	34,769,364.00	—	—	—	—
Shenzhen Jinghua Electronic Co. Ltd		38.03	69,687,437.75	—	—	—	—
Jiangsu Software Industrial Co. Ltd	2000.12-	35.00	69,300,000.00	—	—	—	—
Intenna (Nanjing) Co. Ltd.	2000.12-	35.00	1,750,000.00	—	—	—	—
Nanjing Sharp Electronics Co. Ltd	1996.03-2026.03	30.00	61,425,420.00	—	—	—	—
Nanjing Lingyuan Information Co. Ltd	1998.08-2008.08	30.00	150,000.00	—	—	—	—
MPower Batteries (Nanjing) Ltd.	2001.04-	40.00	2,400,000.00	—	—	—	—
Nanjing Panda Tamura Communication Equipment Co. Ltd	2001.07-2011.07	50.00	3,310,800.00	—	—	—	—
Nanjing Panda Hitashi Technology Co. Ltd	2001.11-	49.00	6,533,170.00	—	—	—	—
Nanjing Lianhua Nap New Coating & Decorating Co. Ltd	1995.12-2005.12	33.33	1,000,000.00	—	—	—	—
Shanghai Zhongtong Information Network Co. Ltd	2000.05-2005.12	45.00	450,000.00	—	—	—	—
Nanjing Electronics (Kunshan) Co. Ltd	2000.6-2011.6	40.00	1,562,094.12	—	—	—	—
Nanjing Panda Medical Electronics Co. Ltd	2001.10-2020.8	50.00	500,000.00	—	—	—	—
Nanjing Huage Dian Qi Plastic Industrial Co. Ltd	2001.12-2011.12	60.00	3,000,000.00	—	—	—	—
Beijing Fei Hong Electronic Co. Ltd	1994.06-	9.60	1,200,000.00	1,200,000.00	—	—	1,200,000.00
Beijing Zhong Shi Lian Digit System Co. Ltd	2000.11-		360,000.00	360,000.00	—	—	360,000.00
Hunan Hengyang Xianteng Industrial Co. Ltd	1998.04-		500,000.00	500,000.00	—	—	500,000.00
Other investment reflected at cost			1,703,465.36	1,403,465.36	—	—	1,403,465.36
Total			320,465,030.83	3,463,465.36	—	—	— 3,463,465.36

note1: The Companies will make provision for bad debts after evaluating the probability of recovering and determining with clear evidence that the receivable is irrecoverable. The Companies will according to its management right and limit and, upon approval by the Board of Directors, make a provision for bad debts. Such bad debt written off will be offset against provision.

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Details of equity investment base on equity method are as follows:

Name of parties to be invested	Original	Addition	Change	Appropriated	Change in
	investment cost	in investment	in interest	cash dividend	accumulated
	RMB	RMB	RMB	RMB	interest
					RMB
Nanjing Ericsson Panda Communication Co. Ltd.	60,863,279.60	—	57,528,818.07	—	526,457,816.56
Nanjing Microcell Panda Mobile Terminal Co. Ltd.	34,769,364.00	—	(8,899,461.19)	38,420,524.00	(4,002,055.64)
Shenzhen Jinghua Electronics Co. Ltd.	69,687,437.75	—	3,393,908.48	—	9,317,815.18
Jingsu Software Industrial Co. Ltd	69,300,000.00	—	(109,232.94)	—	(1,389,134.63)
Intenna (Nanjing) Co. Ltd	1,750,000.00	—	(137,465.32)	—	(280,613.52)
Nanjing Sharp Electronics Co. Ltd	61,425,420.00	—	1,050,000.00	—	6,046,045.31
Nanjing Lingyuxn Information Co. Ltd	150,000.00	—	(7,438.70)	—	(72,712.94)
MPower Batteries (Nanjing) Ltd	2,400,000.00	—	(1,440,014.41)	—	(2,529,786.75)
Nanjing Panda Tamura Communication Equipment Co. Ltd	3,310,800.00	—	137,358.30	—	137,358.30
Nanjing Panda Hitachi Technology Co. Ltd	6,533,170.00	—	(859,293.29)	—	(1,045,048.96)
Nanjing Lianhua Nap New Coating & Decorating Co. Ltd	1,000,000.00	—	—	—	35,367.08
Shanghai Zhongtong Information Network Co. Ltd	450,000.00	—	—	—	(450,000.00)
Nanjing Electronics (Kunshan) Co. Ltd	1,562,094.12	—	—	—	19,681.85
Nanjing Panda Medical Electronics Co. Ltd	500,000.00	—	—	—	—
Total	313,701,565.47	—	50,657,179.00	38,420,524.00	532,244,731.84

b. Equity Investment Difference

Name of parties to be invested	Initial amount	Reason of formation	Amortisation period	Amortisation		Closing balance
				Opening balance	during the period	
	RMB			RMB	RMB	RMB
Nanjing Panda Mechanical Engineering Plant	511,756.61	Difference in equity acquisition price	5 years	409,405.29	51,175.66	358,229.63
Nanjing Panda Accurate Machinery Co. Ltd	(345,678.70)	Difference in equity acquisition price		—	—	—
Shenzhen Jinghua Electronic Co. Ltd	2,826,403.07	Difference in equity acquisition price	5 years	2,261,122.44	282,640.31	1,978,482.14
Panda Electronics (Kunshan) Co. Ltd	99,537.65	Difference in equity acquisition price	10 years	99,537.65	—	99,537.65
Total	3,092,018.63			2,770,065.38	333,815.97	2,436,249.42

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11. Fixed Assets and Accumulated Depreciation

Original cost of fixed asset	Opening balance <i>RMB</i>	Increase in the period <i>RMB</i>	Decrease in the period <i>RMB</i>	Closing balance <i>RMB</i>
Building and premises	352,455,711.14	—	—	352,455,711.14
Machinery and equipment	165,793,031.56	2,825,974.89	7,195,417.00	161,423,589.45
Transportation	7,030,604.46	303,650.00	182,600.00	7,151,654.46
Electronic equipment	10,810,034.15	26,100.00	—	10,836,134.15
Other equipment	6,223,239.27	790,064.34	790,573.03	6,222,730.58
Total	542,312,620.58	3,945,789.23	8,168,590.03	538,089,819.78

Accumulated depreciation	Opening balance <i>RMB</i>	Increase in the period <i>RMB</i>	Decrease in the period <i>RMB</i>	Closing balance <i>RMB</i>
Building and premises	70,033,459.11	5,497,842.84	—	75,531,301.95
Machinery and equipment	91,825,390.25	3,672,111.62	6,653,470.65	88,844,031.22
Transportation	4,174,885.93	207,637.87	173,470.00	4,209,053.80
Electronic equipment	5,014,037.96	211,982.98	—	5,226,020.94
Other equipment	5,385,397.36	1,366,578.12	201,725.20	6,550,250.28
Total	176,433,170.61	10,956,153.43	7,028,665.85	180,360,658.19

The Company had pledged some of the properties in the above fixed assets to banks to obtain bank loans. Details can be seen in Note 10.

Included in decrease in fixed assets during the period was disposal of fixed assets amounting to RMB7,294,325.03

Provision for impairment	Opening balance <i>RMB</i>	Increase in the period <i>RMB</i>	Transfer in the period <i>RMB</i>	Closing balance <i>RMB</i>
Building and premises	353,756.16	—	68,400.00	285,356.16
Machinery and equipment	24,158,622.02	—	47,829.50	24,110,792.52
Other equipment	1,527,467.52	—	—	1,527,467.52
Total	26,039,845.70	—	116,229.50	25,923,616.20
Net	339,839,604.27			331,805,545.39

The above fixed assets had been deserted for a long time or had been broken, their recoverable values is below book value.

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12. Construction in Progress

Name of Construction Project	Opening RMB	Increase in the period RMB	Fixed asset	Other	Closing RMB	Source of fund	Progress
			increase in purchased in the period RMB	reduction in the period RMB			
Jiangning base	18,153,728.45	—	—	—	18,153,728.45	Share proceeds and other sources	15%
Special section project	—	—	—	—	—	Other sources	
Other	2,432,274.71	992,386.28	—	—	3,424,660.99	Other sources	
Total	20,586,003.16	992,386.28	—	—	21,578,389.44		

Closing balance of construction in progress did not include capitalization of interest.

Provision for impairment in construction in progress is as follows:

Name of Construction project	Opening RMB	Increase in the period RMB	Transfer in the period RMB	Closing RMB
Jiangning base	13,153,728.45	—	—	13,153,728.45
Other	2,338,119.71	—	—	2,338,119.71
Total	15,491,848.16	—	—	15,491,848.16

13. Intangible Assets

Type	Initial amount RMB	Way of acquisition	Opening RMB	Increase in the period RMB	Transfer RMB	Amortised in the period RMB	Accumulated amortisation RMB	Closing RMB	Remaining period for amortisation
Trademark use right	156,240,000.00	purchase	67,217,828.98	100,000.00	—	7,837,002.02	97,359,173.04	59,480,826.96	3.6 years
Total	182,740,000.00		90,982,514.31	100,000.00	—	8,099,002.02	104,066,487.71	82,983,512.29	

14. Long Term Deferred Expenses

Name of project	Initial amount RMB	Opening balance RMB	Increase in the period RMB	Amortised in the period RMB	Accumulated amortisation RMB	Closing balance RMB	Remaining period for amortisation
Expense for increasing capacity of hydro-electricity	11,411,550.00	4,270,486.25	—	570,577.50	7,711,641.25	3,699,908.75	3.5
Foreign exchange loss from investment in ENC	9,750,000.00	1,950,000.00	—	975,000.00	8,775,000.00	975,000.00	0.5
Major repair expenses	17,697,407.87	11,026,964.10	—	2,756,741.00	8,359,423.00	8,270,223.10	1.5
Other	2,390,140.91	48,616.00	268,825.50	13,672.15	—	303,769.35	
Total	41,249,098.78	17,296,066.35	268,825.50	4,315,990.65	24,846,064.25	13,248,901.20	

Closing balance was less than opening balance according to the amortisation schedule.

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15. Short Term Loans

	30 June 2002	31 December 2001
	<i>RMB</i>	<i>RMB</i>
Type of loan		
Bank		
Including: Pledge (Note 10)	397,100,000.00	304,120,000.00
Guarantee	444,180,000.00	404,450,000.00
Banking facilities	—	—
Total	841,280,000.00	708,570,000.00

No loans mentioned above were not repaid past due date.

16. Bills Payable

Type	Date of issuance	Amount
		<i>RMB</i>
Bank bills		52,718,188.81
Commercial bills		40,506,690.00
Total		93,224,878.81

Bills payable did not include any amount due from holders with 5% or above shareholding of the Company.

17. Accounts Payable

Closing balance of accounts payable was RMB92,790,801.59, no amount was due from holders with 5% or above shareholding of the Company. Closing balance was more than opening balance, because purchase of accounts payable by subsidiaries increased.

18. Receipts in Advance

The year end balance of receipts in advance was RMB67,041,303.15, of which no amount was due from holders with 5% or above shareholding of the Company.

19. Taxes Payable

Type	30 June 2002	31 December 2001
	<i>RMB</i>	<i>RMB</i>
Business tax	3,986,490.33	4,094,329.31
Value added tax (VAT)	36,217,215.35	35,172,549.13
City maintenance tax	19,302,798.11	19,210,867.66
Enterprise tax	1,399,064.90	2,532,831.57
Land use tax	772,000.00	772,000.00
Property tax	2,854,853.02	2,857,289.02
Transport use tax	5,780.00	5,780.00
Education surcharge	51,263.11	—
Reduction and advance payment for personal income tax	(730,588.62)	(772,132.71)
Stamp duty	—	(4,363.44)
Total	63,858,876.20	63,869,150.54

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20. Other Payables

Closing balance of other payables was RMB127,559,051.87, of which no amount was due from holders with 5% or above shareholding of the Company. Details of other payables accounting for 10% or above of the total other payables are as follows:

Name of unit	Amount RMB	Nature
Nanjing Cantai Electronics Co. Ltd.	16,000,000.00	Guarantee deposit

Closing balance was more than opening balance, because loans and guarantee deposit increased.

21. Accrued Expenses

Item	30 June 2002 RMB	31 December 2001 RMB	Nature of closing balance
Interest	373,013.43	175,560.00	Outstanding loan interest payable
Rent	3,948,108.78	980,837.38	Outstanding rent payable
Intermediaries remuneration	—	2,527,289.67	
Processing fee	1,182,513.02	140,988.58	Unsettled processing fee
Advertising fee	544,555.16	198,419.80	Unsettled advertising fee
Water and electricity fee	723,685.81	817,840.81	Outstanding water and electricity payable
Technology development fee payable	2,446,420.24	2,857,232.27	Outstanding technology development
Insurance premium	—	991,075.11	Outstanding insurance premium payable
Other	950,297.00	681,415.28	
Total	10,168,593.44	9,370,658.90	

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22. Share Capital

Consolidated

Item	Opening balance		Change of the period (less)				Closing balance	
			Shares allotted					
		Number of placed shares	Number of bonus shares	from surplus reserve	addition	Other	Total	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
1. Non-outstanding shares:								
1. Promoter's shares including: state owned shares	355,015,000.00	—	—	—	—	—	—	355,015,000.00
	<u>355,015,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>355,015,000.00</u>
2. Outstanding 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 of outstanding share	<u>300,000,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>300,000,000.00</u>
3. Total number of shares	<u>655,015,000.00</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>655,015,000.00</u>

a. The net assets per ordinary share calculated on the number of ordinary shares on the balance sheet date was RMB1.465.

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

23. Capital Reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
	RMB	RMB	RMB	RMB
Share premium	478,386,846.10	—	—	478,386,846.10
Provision for acceptance of asset donation	34,034.50	—	—	34,034.50
Provision for equity investment	23,451.31	—	—	23,451.31
Other capital reserve	<u>78,165.37</u>	<u>75,545.54</u>	<u>—</u>	<u>153,710.91</u>
Total	<u>478,522,497.28</u>	<u>75,545.54</u>	<u>—</u>	<u>478,598,042.82</u>

Increase in other capital reserve during the period was due to transfer of unpaid payable.

24. Surplus Reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
	RMB	RMB	RMB	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	<u>70,376,641.33</u>	<u>—</u>	<u>—</u>	<u>70,376,641.33</u>
Total	<u>188,137,542.53</u>	<u>—</u>	<u>—</u>	<u>188,137,542.53</u>

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25. Undistributed Profit

Item	Opening balance <i>RMB</i>	Increase in the period <i>RMB</i>	Decrease in the period <i>RMB</i>	Closing balance <i>RMB</i>
Undistributed profit	(382,597,950.40)	20,285,506.41	—	(362,312,443.99)

26. Income and Cost of Principal Activities

Items of principal activities	Jan-June, 2002		Jan-June, 2001	
	Income from activities <i>RMB</i>	Cost of activities <i>RMB</i>	Income from activities <i>RMB</i>	Cost of activities <i>RMB</i>
Mobile telecommunication products	170,523,021.71	154,278,669.99	406,189,605.02	380,144,322.58
Electronic information products	42,575,694.08	38,833,593.43	35,018,947.95	31,134,151.18
Electromechanical products	67,315,363.56	56,802,501.19	56,717,218.87	43,839,829.96
Satellite telecommunication products	13,292,735.04	10,376,881.83	33,613,345.78	21,255,216.60
Others	35,118,208.78	28,549,665.35	34,198,959.31	37,634,868.51
Total	<u>328,825,023.17</u>	<u>288,841,311.79</u>	<u>565,738,076.93</u>	<u>514,008,388.83</u>

Sales revenue from the five largest customers totalled RMB171,100,179.08, accounting for 52.03% of total sales revenue for the period.

Sales revenue in the current period was lower than last period due to a larger decrease in revenues from telecommunication products.

Details of income and cost of principal activities of the Company are as follows:

Items of principal activities	Jan-June, 2002		Jan-June, 2001	
	Income from activities <i>RMB</i>	Cost of activities <i>RMB</i>	Income from activities <i>RMB</i>	Cost of activities <i>RMB</i>
Mobile telecommunication products	24,518,807.03	24,366,516.65	173,824,419.82	173,512,585.40
Electromechanical products	10,472,621.12	8,847,899.30	8,296,302.67	9,531,163.47
Satellite telecommunication products	13,292,735.04	10,376,881.83	33,613,345.78	21,255,216.60
Others	—	—	3,758,357.93	3,383,141.72
Total	<u>48,284,163.19</u>	<u>43,591,297.78</u>	<u>219,492,426.20</u>	<u>207,682,107.19</u>

Sales revenue in the current period decreased over last period due to a decrease in revenues from telecommunication products.

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27. Income From Other Activities

Type of other activities	Jan-June, 2002			Jan-June, 2001		
	Income from other activities RMB	Cost of other activities RMB	Profit RMB	Income from other activities RMB	Cost of other activities RMB	Profit RMB
Rental income	15,565,862.73	6,482,777.20	9,083,085.53	7,494,417.90	4,113,976.94	3,380,440.96
Sale of raw material	1,578,163.62	1,320,680.57	257,483.05	8,346,374.74	8,339,827.40	6,547.34
Labour income	1,457,326.82	454,143.78	1,003,183.04	3,951,595.60	2,902,850.94	1,048,744.66
Processing income	5,184,391.59	6,230,878.86	(1,046,487.27)	—	—	—
Other	4,123,202.35	3,029,379.35	1,093,823.00	4,779,426.20	3,658,360.16	1,121,066.04
Total	27,908,947.11	17,517,859.76	10,391,087.35	24,571,814.44	19,015,015.44	5,556,799.00

Period end balance grew from the beginning of year balance due to an increase in profit from lease and an increase in gross margin.

28. Operating Expenses

Operating expenses in the current period decreased over last period, because advertising expenses for consumable mobile telecommunication products.

29. Financial Expenses

Type	Jan-June, 2002 RMB	Jan-June, 2001 RMB
Interest expenses	25,233,438.41	25,904,734.43
Less: Interest income	3,181,973.06	2,479,250.67
Exchange loss	—	4,682.87
Less: Exchange gain	—	—
Other	38,123.94	226,519.19
Total	22,089,589.29	23,656,685.82

30. Investment Income

Type	Jan-June, 2002 RMB	Jan-June, 2001 RMB
Income from equity investment	12,688,001.05	1,126,396.24
Income from debenture investment	—	—
Profits from subsidiaries and associated companies	38,420,524.00	—
Net adjusted increase in owner's equity in invested company at period end	12,723,866.87	139,170,746.38
Equity investment difference amortisation	(333,815.97)	11,862.73
Gain on equity investment transfer	—	—
Provision for diminution in value on short term investment	—	—
Provision for diminution in value on long term investment	—	—
Total	63,498,575.95	140,309,005.35

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Profits from associated companies of RMB38,420,524.00 were profit from Nanjing Microcell Panda Mobile Terminals Co., Ltd., an associated company of the Company, from the distribution of net profit of 2001.

Investment income for the current period decreased from last period due to decreased realised net profit from Nanjing Ericsson Panda Communication Co., Ltd., an associated company of the Company.

Details of investment income are as follows:

Type	Jan-June, 2002 <i>RMB</i>	Jan-June, 2001 <i>RMB</i>
Gain on equity investment	—	—
Gain on debenture investment	—	—
Profits appropriated from subsidiaries and associated companies	38,420,524.00	—
Net adjusted increase in owner's equity in invested company at period end	26,895,585.03	136,882,365.47
Equity investment difference amortisation	(333,815.97)	(333,815.97)
Gain on equity investment transfer	—	—
Provision for diminution in value on long term investment	—	—
Total	<u><u>64,982,293.06</u></u>	<u><u>136,548,549.50</u></u>

Profits from associated companies of RMB38,420,524.00 were profit from Nanjing Microcell Panda Mobile Terminals Co., Ltd. from the distribution of net profit of 2001.

Investment income for the current period decreased from last period due to decreased realised net profit from Nanjing Ericsson Panda Communication Co. Ltd, an associated company of the Company.

31. Non-operating Income

Type	Jan-June, 2002 <i>RMB</i>	Jan-June, 2001 <i>RMB</i>
Gain from fine payment	15,403.24	56,970.44
Gain from disposal of fixed asset	62,880.71	3,487.18
Other	35,357.22	137,805.55
Total	<u><u>113,641.17</u></u>	<u><u>198,263.17</u></u>

32. Non-operating Expenses

Type	Jan-June, 2002 <i>RMB</i>	Jan-June, 2001 <i>RMB</i>
Local fund	602,000.00	598,917.29
Net loss from disposal of fixed asset	9,130.00	2,209,730.52
Net fine payment expenses	20,374.70	19,469.29
Provision for impairment of building in progress	—	398,756.16
Donation	139,200.00	317,272.00
Other	239,845.31	26,733.34
Total	<u><u>1,010,550.01</u></u>	<u><u>3,570,878.60</u></u>

Note 5. Relationship and transactions with related parties

1. Related parties with non-controlling relationship

Registered name	Relationships with the Company
Nanjing Panda Electronic Import/Export Company	under the same parent company
Nanjing Microcell Mobile Terminal Co. Ltd.	associated company
Nanjing Ericsson Panda Communication Co. Ltd.	associated company
Nanjing Le Jin Panda Electronic Appliance Co. Ltd.	under the same parent company
Panda Electronic Group (Company) Duantong Company	under the same parent company
PEGL Wireless Telecommunications Company	under the same parent company
Nanjing Panda Television Co. Ltd.	under the same parent company
Jiangsu Software Industrial Co. Ltd.	associated company

2. Related parties with controlling relationship are as follows:

Registered name	Place of registration	Registered capital RMB	Shareholding percentage	Principal activities	Relationship with the Company	Legal nature of type	Legal representative
Panda Electronic Group Ltd	Nanjing	980,000,000.00	54.1995%	Wireless telecommunication equipment	Holding company	State-owned	Xi Yungming

3. Related party transactions

Company name	Item	Transaction amount	
		Jan-June, 2002 RMB	Jan-June, 2001 RMB
Nanjing Microcell Mobile Terminal Co. Ltd.	purchase of material	11,327,943.79	199,733,711.40
	sales of material	3,420,000.00	173,514,073.82
	provision of service	1,247,035.43	2,103,118.90
	provision of rental service	2,844,873.36	2,548,105.98
Nanjing Ericsson Panda Communication Co. Ltd.	purchase of material	22,773,739.00	171,621,013.28
	sales of material	24,437,803.21	—
Panda Electronics Group Co. Ltd.	receipt of service	2,993,131.05	5,464,312.17
	sales of material	—	33,405,400.00
	guarantee	255,000,000.00	394,100,000.00
	rentals	596,150.00	596,150.00
Nanjing Panda Television Co. Ltd.	sales of material	6,515,068.18	3,924,972.28
Nanjing Le Jin Panda Electronic Appliance Co. Ltd.	sales of material	—	1,463,710.98
Panda Electronic Group (Company) Duantong Company	sales of material	2,270,627.88	—
	provision of service	888,532.82	718,181.45
MPower Batteries (Nanjing) Co. Ltd.	provision of rental service	708,901.28	—
Jiangsu Software Industrial Co. Ltd.	provision of rental service	8,548,457.80	—
Nanjing Panda Import/Export Company	import dealer	423,938.26	—

The above transactions done with related parties based on: Fair market.

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4. Related parties

Transactions	Name of related parties	Activities	30 June 2002	31 December 2001
			RMB	RMB
Accounts receivable	Nanjing Ericsson Panda Communication Co. Ltd.	goods payment	5,639,268.20	4,762,239.05
	Nanjing Panda Television Co. Ltd.	goods payment	27,408,949.47	23,363,475.31
Prepayment	Nanjing Panda Electronic Import/Export Company	goods payment	36,163,355.92	36,163,355.92
Other receivables	PEGL Wireless Telecommunications Company	current amount	7,409,623.10	7,440,121.71
Accounts payable	Nanjing Microcell Panda Mobile Terminal Co. Ltd.	goods payment	—	15,352,953.44
	Nanjing Panda Electronic Import/Export Company	goods payment	7,041,633.18	—
Other receivables	Panda Electronic Group Co. Ltd.	current amount	—	3,924,514.58

Note 6. Commitment

As at 30 June 2002, the capital commitment contracted by the Company but not included in the financial statements are as follows:

- The Company will have to pay the balance of RMB58,045,000.00 as cost of land use right to acquire the land use right of Jiangning Development Zone with total area of 467,000 square meters.
- The Company jointly established Intenna (Nanjing) Co. Ltd. with Sweden Intenna AB and Hong Kong Yung Shing Enterprise Co. Ltd. The Company still has to invest the balance of RMB1,750,000.00 to this project.
- The Company jointly established MPower Batteries (Nanjing) Limited with MPower Batteries Ltd of England and Hong Kong Yung-shing Enterprise Co. Ltd. The Company still has to invest the balance of RMB1,800,000.00 to this project.

Note 7. Contingent issues

As at 30th June 2002, the Company provided guarantees in respect of acceptance of RMB68,500,000.00 for Nanjing Cantai Electronic Co., Ltd; bank loan of RMB70,000,000.00 for Nanjing Zhongda Mode (Group) Co. Ltd. and bank loan of RMB80,000,000.00 for Nanjing Panda Mobile Telecommunications Equipment Co. Ltd.

Note 8. Explanation of the Assets Security

The Company secured properties situated at No. 301 at Zhongshan East Road, Nanjing, related to properties with Document No. Xuan Chu Zi No. 102154, 102155, part of No. 102156 and Xuan Bian Zi No. 031463, 031464, 031485 to 031493 (apart from a building with Document Xuan Bian Zi No. 031486) for a bank loan of RMB397,100,000 from Jiangsu Province branch, Industrial and Commercial Bank of China. The term of the loan is from 14th December 2001 to 21st January 2003.

Note 9. Subsequent Events

In July of 2002, the Company received RMB260,157,652 from Nanjing Panda Ericsson Communication Co., Ltd., an associate of the Company, as dividend distribution for the year of 2001.