

VI. SIGNIFICANT EVENTS

(1) Corporate Governance

The Company has strictly complied with the Company Law, Securities Law and the requirements imposed by China Securities Regulatory Commission, Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and other regulatory institutions, and has continued to perfect the corporate governance and modern enterprise system to regulate the operations of the Company. The Company established four special committees under the Board of Directors namely, Audit Committee, Strategic Committee, Nomination Committee and Remuneration and Appraisal Committee in accordance with the Corporate Governance Standards for Listed Companies. In addition to the Articles of Association, the Company also formulate Rules of Procedures for Annual General Meeting, Rules of Procedures for Board of Directors' Meeting, Rules of Procedures for Supervisory Committee's Meeting, Work System for the General Manager, Implementation Rules for Disclosure of Information, Management of the Use of Proceeds, Regulatory System for the Acts of Controlling Shareholders, Work System for Independent Directors and the Rules of Procedures for the four special committees under the Board of Directors. The corporate governance system of the Company was initially established and perfected.

Corporate governance is a process which requires continuous improvement. The Company will coordinate with the relevant authorities to resolve the issue of the double-up of duty of the general manager as soon as possible and will elect additional independent director(s) in order to comply with the required ratio of independent directors to total number of directors.

The Company will continue to improve the internal control system and regulate the corporate acts in accordance with the State laws and regulations and the concrete requirements of the regulatory authorities and the Company will further perfect a modern enterprise system in an effort to reach a milestone in terms of corporate governance of the Company.

- (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. The Company will not distribute interim profits, nor will it increase its share capital by converting from surplus reserve.
- (3) There was no litigation and arbitration of material importance that occurred during the reporting period or commenced in the previous period and subsisting during the reporting period.
- (4) There were no material acquisition and disposal of assets and reorganisation of assets by the Company that occurred during the reporting period or commenced in the previous period and subsisting during the reporting period.
- (5) During the reporting period, there were no material connected transactions by the Company.

(6) Significant Contracts

1. During 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 30 June 2003, the Company provided guarantee in respect of bank loan of RMB50 million for Nanjing Zhongda Mode (Group) Co., Ltd., an independent third party of the Company.
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 28 April 2003, it was approved that Shine Wing Certified Public Accountants be re-appointed as the PRC auditors of the Company for 2003 and Horwath Hong Kong CPA Limited, Hong Kong Certified Public Accountants, be re-appointed as international auditors of the Company for 2003.

(9) The Audit Committee has reviewed together with senior management the accounting principles and accounting standards adopted by the Company, evaluated the matters relating to internal controls and reviewed the unaudited financial statements for the six months ended 30 June 2003.

(10) Other matters:

1. Income tax

The Company is registered in High and New Technology Development Zone in Nanjing which is approved by the State Council as a national high and new technology development zone. The Company has been approved by the Jiangsu Provincial Technological Commission as a high and new technological enterprise, which is entitled to a preferential income tax of 15% as per existing policy. The Company is still entitled to the preferential treatment at present.

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 ended 30 June 2003.

3. The Code of Best Practice

During the reporting period, the Directors of Company were in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited.