

(4) Shareholdings of the top ten shareholders of circulating shares of the Company as at 30 June 2004

Name of Shareholders	No. of shares held at the end of the Reporting Period (share)	Type of shares	Percentage to total share capital (%)
HKSCC Nominees Limited	237,153,899	H	36.21
Cheng Chang Yung Tsung Alice	3,050,000	H	0.47
Tse Wing Pak	550,000	H	0.084
Huang Haibin	535,009	A	0.082
Lai Shuijiao	419,800	A	0.064
Lai Qiong	392,600	A	0.060
Zhang Di	253,000	A	0.039
Kay and Company Limited	200,000	H	0.031
Wu Xinhai Chen	197,000	A	0.030
Chen Shuchong	158,351	A	0.024

Note: The Company is not aware of any relationship or any party acting in concert among the top ten shareholders of circulating shares.

(5) Substantial shareholders' interests and short positions in the shares or underlying shares of the Company

As at 30 June 2004, the Company is notified that, long positions in shares or underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and chief executives of the Company) which were required, pursuant to section 336 of the Securities and Futures Ordinance ("SFO"), to be entered in the register referred to therein are as follows: (1) Panda Electronic Group Limited holds 355,015,000 domestic shares, accounting for approximately 85.96% of the domestic shares in issue and approximately 54.20% of the total shares in issue. The nature of interests in such shares is corporate interest which is held in the capacity of beneficial owner; (2) Lewis Joseph holds 20,260,000 H shares, accounting for approximately 8.38% of the H shares in issue and approximately 3.10% of the total shares in issue. The nature of interests in such shares is personal interest which is held in the capacity of beneficial owner; and (3) Tuesday Thirteen Inc., holds 16,920,000 H shares, accounting for approximately 7.00% of the H shares in issue and approximately 2.59% of the total shares in issue. The nature of interests in such shares is corporate interest which is held in the capacity of controlled corporation. No short positions are found in any shares held by the above substantial shareholders.

Save as disclosed above, the Company has not been notified of any other persons (except Directors, Supervisors and chief executives of the Company) who has any interests or short positions in the shares or underlying shares of the Company which were required to be entered in the register as required pursuant to section 336 of the SFO.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Shareholdings of Directors, Supervisors and senior management

As at 30 June 2004, interests of the Directors, Supervisors and chief executive of the Company in the domestic shares of the Company which were required, pursuant to section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), to be entered in the register referred to therein are as follows (the nature of such interests is of personal interest):

Name	Duties	No. of A shares held (beginning of the period) (share)	No. of A shares held (end of the period) (share)	Percentage to share capital in issue (%)
Li Anjian	Chairman, General Manager	0	0	0
Zhang Zuzhong	Vice-chairman	9,400	9,400	0.014
Liu Ailian	Non-executive Director	0	0	0
Zhou Zhenyu	Non-executive Director	2,900	2,900	0.004
Zhu Lifeng	Non-executive Director	2,743	2,743	0.004
Tang Hongqing	Non-executive Director	9,100	9,100	0.014
Wan Hui	Independent Non-executive Director	0	0	0
Cai Lianglin	Independent Non-executive Director	0	0	0
Ma Chung Lai	Independent Non-executive Director	0	0	0
Zhang Zhenping	Chairman of the Supervisory Committee	3,429	3,429	0.005
Chen Ning	Supervisor	3,900	3,900	0.006
Zhong Youxiang	Supervisor	0	0	0
Wu Shiyuan	Independent Supervisor	0	0	0
Sun Suhua	Independent Supervisor	0	0	0
Wang Hongjin	Deputy General Manager	8,300	8,300	0.013
Wu Liulin	Chief Accountant	0	0	0
Shi Qiusheng	Company Secretary, Deputy General Manager	3,343	3,343	0.005
Liu Kun	Deputy General Manager	0	0	0
Chen Ping	Deputy General Manager, Secretary to the Board of Directors	0	0	0

Save as disclosed above, none of the Directors, Supervisors and chief executives of the Company or any of their respective associates has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were required to be recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance or to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

None of the directors, supervisors, chief executives or their respective associates were granted or exercised any rights to subscribe for any shares or debt securities of the Company during the Reporting Period.

(2) **New appointments and dismissals of Directors, Supervisors and senior management during the Reporting Period.**

At the Annual General Meeting convened on 12 May 2004, Mr. Li Anjian, Mr. Zhang Zuzhong, Ms. Liu Ailian, Mr. Zhou Zhenyu, Mr. Zhu Lifeng and Mr. Tang Hongqing were elected as the Directors of the Fifth Board of Directors of the Company; Ms. Wan Hui, Mr. Ma Chung Lai Lawrence and Mr. Cai Lianglin were elected as the Independent Directors of the Fifth Board of directors; Ms. Zhang Zhenping was elected as the supervisor of the Fifth Supervisory Committee of the Company; Mr. Wu Shiyuan and Ms. Sun Suhua were elected as the Independent Supervisor of the Fifth Supervisory Committee. Ms. Chen Ning and Mr. Zhong Youxiang were elected as the Supervisors of the staff representative of the Fifth Supervisory Committee.

At the first meeting of the Fifth Board of Directors convened on 12 May 2004, Mr. Li Anjian was appointed as General Manager of the Company; Mr. Wang Hongjin, Mr. Shi Qiusheng, Mr. Liu Kun and Ms. Chen Ping were appointed as Deputy General Manager of the Company; Mr. Wu Liulin was appointed as Chief Accountant of the Company; and Mr. Chen Ping was appointed as Secretary to the Board of Directors.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(1) **Principal operations during the Reporting Period**

1. **Principal operations of the Company**

The principal businesses of the Company include mobile telecommunications, satellite communications, and electromechanical and information products, with mobile telecommunications being its major operations.

In the first half of the year, the Sino-foreign joint venture enterprises of the Company seized the opportunities of the rebound of investment in domestic and foreign telecommunications market. Sales revenue and profit from manufacture of telecommunications equipment and sales of Sony Ericsson mobile phones recorded significant growth, leading to the substantial increase in investment income and net profit of the Company. Panda mobile phones business, the principal operation of the Company, was subject to the structural adjustment of its domestic mobile phone market as well as its intense competitions. Targeting at the right direction of development and overcoming various difficulties, the Company strived to enhance its research and development standard. The Company launched various models of self-developed mobile phones in the market in the first half of the year, drawing a very satisfactory market response. The Company will further launch self-developed new products in the second half of the year, as well as strengthen its development in overseas market in reliance of the Company's advantage in carrying out research and development itself in order to expand export and achieve greater development.

In accordance with PRC accounting system, the income from principal operations of the Company from January to June amounted to RMB1,231,000,000, representing a decrease of 19.24% as compared with the corresponding period of last year; net profit amounted to RMB58,000,000, representing an increase of 76.55% as compared with the corresponding period of last year. In accordance with the accounting principles generally accepted in Hong Kong, the income from principal operations of the Company from January to June amounted to RMB1,229,000,000, representing a decrease of 19.26% as compared with the corresponding period of last year; net profit amounted to RMB55,840,000, representing an increase of 69.91% as compared with the corresponding period of last year calculated on a comparable basis.

2. **Revenue from principal operations based on classification of products (Prepared under the PRC accounting system, unaudited)**

Unit: RMB

Classification of products	Sales revenue	Percentage to principal operations (%)	Cost of sales	Gross profit margin (%)
Mobile telecommunications	944,375,463.70	76.73	837,397,138.28	11.33
Satellite communications	4,244,386.29	0.34	3,198,233.07	24.65
Electromechanical	101,226,943.86	8.22	85,982,488.50	15.06
Electronic information	125,282,836.44	10.18	120,531,777.36	3.79
Others	55,599,092.39	4.52	46,221,873.41	16.87
Total	1,230,726,722.68	100	1,093,331,510.62	11.16

3. **Operations of the principal controlling and jointly controlling companies**

(1) Nanjing Panda Mobile Communication Equipment Co., Ltd. (PMC)

PMC is a company owned by the Company, holding 51% of equity interest, and Mr. Ma Zhiping, holding 49% of equity interest. PMC is mainly engaged in sales of mobile communication terminal products and related services revenue. Sales and net profit in the first half of 2004 amounted to RMB937,000,000 and RMB150,000,000, representing decreases of 24.37% and 91.22% respectively as compared to that of last year.

(2) Nanjing Ericsson Panda Communication Co., Ltd. (ENC)

ENC is a joint venture company owned as to 27% by the Company, 25% by Telefonaktiebolaget L.M. Ericsson, 26% by Ericsson China, 20% by China PTIC and 2% by Hong Kong Yung Shing. It is mainly engaged in producing GSM, GPRS and CDMA mobile telecommunication products and network communication systems. It serves as Ericsson's logistic supply hub in the Asia Pacific region and is the largest GSM and GPRS equipment supplier and one of the major CDMA equipment suppliers in the PRC. Benefiting from the pick up of investment in domestic telecommunications equipment market in the first half of 2004, ENC's sales revenue and profit increased significantly. In accordance with PRC accounting system, the sales revenue realised in the first half of the year amounted to RMB5,599,000,000, representing an increase of 92.34% as compared with the corresponding period of last year; net profit realised amounted to RMB193,000,000, representing an increase of 53.17% as compared with the corresponding period of last year.

(3) Beijing Sony Ericsson Mobile Communication Co., Ltd. (BMC) (Originally Beijing Ericsson Mobile Communication Co., Ltd.)

BMC is a joint venture company owned as to 20% by the Company, 51% by Sony Ericsson, 27% by China PTIC and 2% by Hong Kong Yung Shing. It is principally engaged in the production of Sony Ericsson mobile terminals (mobile phones). Production of BMC mobile phones realised an ultra-normal development in the first half of 2004. In accordance with PRC accounting system, the sales revenue realised in the first half of the year amounted to RMB5,455,000,000, representing an increase of 137.69% as compared with the corresponding period of last year; net profit realised amounted to RMB163,000,000, representing an increase of 307.50% as compared with the corresponding period of last year.