Significant Events

1. During the reporting period, the Company did not have material litigation and arbitration.

2. During the reporting period, the Company did not have material asset acquisition and disposal and merger.

3. Connected transactions:

(1) The New Continuing Connected Transactions of the Company from 2007 to 2009 had obtained independent shareholders' approval in the EGM.

(Details were set out in relevant announcements published in China Securities Journal, Shanghai Securities News, on 12 December 2006 and Hong Kong Ta Kung Pao and The Standard on 4 April 2007.)

(2) The Company did not have other material connected transactions and asset reorganization during the reporting period. In 2007, the New Continuing Connected Transactions were entered into in the usual course of business on normal commercial terms which were required for normal business operation, and were audited by auditors. All New Continuing Connected Transactions were confirmed by independent non-executive Directors details of which are contained in the Auditor's Report). Details of each of the New Continuing Connected Transactions during the reporting period are as follows:

Connected Transactions	**Pricing Principle**	**Price**	**Amount** *(RMB'000)*
(a) Provision of sub-contracting services and composite services by the Group to the PEGL Group		at prices no less favourable to the Company than terms available to an independent third party	16,339
(b) Provision of sub-contracting services and composite services by the PEGL Group to the Group		at prices no less favourable to the Company than terms available from an independent third party	14,785
(c) Sale of materials and components and parts by the Group to the PEGL Group	Market price / at prices no less favourable to the Company than terms available to or from independent third parties	Market price	24,071
(d) Sale of materials and components and parts by the PEGL Group to the Group		Market price	7,498
(e) Import and export agency services provided by the PEGL Group to the Group		at prices no less favourable to the Company than terms available from an independent third party	180

3. Connected transactions: *(Continued)*

(2) The Company did not have other material connected transactions and asset reorganization during the reporting period. In 2007, the New Continuing Connected Transactions were entered into in the usual course of business on normal commercial terms which were required for normal business operation, and were audited by auditors. All New Continuing Connected Transactions were confirmed by independent non-executive Directors details of which are contained in the Auditor's Report). Details of each of the New Continuing Connected Transactions during the reporting period are as follows: *(Continued)*

Connected Transactions	Pricing Principle	Price	Amount *(RMB'000)*
(f) Licensing of PANDA Trademarks by the Group to the PEGL Group		at prices no less favourable to the Company than terms available to an independent third party	133
(g) Lease of factory premises by the Group to the PEGL Group	Market price / at prices no less favourable to the Company than terms available to or from independent third parties	Market price	1,010
(h) Lease of factory premises and land use right by the PEGL Group to the Group		Market price	3,639

(3) During the reporting period, the transaction amount of sales of products and the provision of service by the Company to connected parties was RMB67,787,600 amongst which the transaction amount of the connected transactions of sales of products and the provision of service to PEGL Group was RMB40,409,600, while the transaction amount of purchase of products and the acceptance of service from connected parties was RMB28,273,000.

(4) During the reporting period, the actual amount of the provision of fund by connected parties (including the PEGL Group) to the Company was RMB1,343,294,600 and the balance was RMB10,499,700, while the actual amount of the provision of fund by the Company to connected parties was RMB1,302,624,000 and the balance was RMB3,718,200, amongst which the actual amount of the provision of fund to the PEGL Group was RMB1,301,942,500 and the balance was nil.

(5) As of 31 December 2007, there were no non-operating funds supplied by the Company to the PEGL Group.

4. During the reporting period, the Company had no entrustment, contracting and lease of assets from other companies nor any entrusted custody of funds.

5. Material guarantee

During the reporting period, the amount guaranteed by the Company for the subsidiaries amounted to RMB87,410,300, the details of which are as follows:

As of 31 December 2007, the Company granted guarantees to bank loan of RMB7,300,000 (originally: US$1 million) to its controlling subsidiaries Nanjing Panda Information Industry Co., Ltd.; bank loan of RMB5 million to Nanjing Panda Mechanical Manufacturing Co., Ltd.; bank loan of RMB17 million, obligations under finance leases amounted to RMB6,183,100 to Nanjing Panda Hua Ge Electronic Plastic Co. Ltd.; as well as bank loans and obligations under finance leases for Nanjing Panda Electronics Manufacturing Company Limited totaling RMB5 million and RMB13,235,800 respectively.

The said guarantees totalling RMB53,718,900, representing 3.74% of the Company's net asset, are provided to controlling subsidiaries. The gearing ratio of the above subsidiaries receiving guarantees were below 70%.

The Company did not provide any guarantee to any independent third parties other than its subsidiaries, nor to any controlling shareholder, ultimate controller or its connected parties.

6. Undertakings of shareholders in the Share Segregation Reform and their performance:

In the process of the Share Segregation Reform, PEGL, the controlling shareholder of the Company undertook to comply with the requirements of relevant laws, regulations and rules and observe statutory commitments and obligations. In addition, PEGL also made the following special undertakings:

(1) PEGL would not trade or transfer any of the originally non-circulating shares it held which obtained listing status for 24 months from the date on which listing status was obtained.

(2) PEGL undertook not to increase the appropriation of the non-operating capital of the Company from the date of the implementation of Share Segregation Reform Proposal, and to settle the appropriation of the non-operating capital of the Company by the PEGL Group by the end of 2006 by means of cash repayment and using assets to discharge a debt.

(3) PEGL undertook to bear all the expenses arising from the Share Segregation Reform.

By the end of the reporting period, PEGL had strictly fulfilled all the above undertaking. Up to 31 December 2007, 334,715,000 restricted circulating shares held by PEGL had not been traded or transferred.

7. **At the Annual General Meeting on 12 June 2007, the proposal for reappointment of Zhong Rui Yue Hua Certified Public Accountants Company Limited and Horwath Hong Kong CPA Limited (now renamed as "Shu Lun Pan Horwath Hong Kong CPA Limited") respectively as the PRC and international auditors of the Company for 2007 was considered and approved.**

At the Extraordinary General Meeting on 11 March 2008, the proposal for appointment of Zhong Rui Yue Hua Certified Public Accountants Co., Ltd as the PRC auditor of the Company for 2007 was considered and approved.

Shu Lun Pan Horwath Hong Kong CPA Limited (its predecessor, Horwath Hong Kong CPA Limited, which was appointed for seven consecutive years to provide audit services to the Company.) was appointed for the first time to provide audit services to the Company. Zhong Rui Yue Hua Certified Public Accountants Co., Ltd (its predecessor, Yuehua Certified Public Accountants Co., Ltd, was appointed for the second year to provide audit services to the Company.) was appointed for the first time to provide audit services to the Company.

For the remuneration for such two certified public accountants paid by the Company for the year, please refer to Section 7 under Part 5 "Corporate Governance Report" in this report.

8. **The status of the Company, the Board and its directors being subject to administrative penalty or public criticism by regulatory authorities during the reporting period:**

Since the end of 2005, the SEHK had made inquiries into the Company in relation to its non-compliance of the information disclosure requirements under the Listing Rules, and had started the disciplinary procedures against the Company. The Listing Committee of the SEHK convened a disciplinary hearing on 26 June 2007 and issued a press release on 9 August 2007 in respect of disciplinary actions against the Company, certain existing directors and ex-directors, including censure and criticism against the relevant existing directors and ex-directors of the Company. (Please refer to the website of the SEHK for details.)

9. **Significant Events:**

(1) Repayment of debt of RMB500 million and transfer of equity interests:

The transfer of 25% equity interest of Hua Fei Company was approved by the PRC's Ministry of Commerce on 28 April 2007, and Nanjing Industrial and Commercial Administration Bureau approved Hua Fel Company's application for change of its business registration record and issued a new corporate business license to Hua Fei Company on 28 May 2007. According to the new business license, the registered capital of Hua Fei Company is US$289.12 million, with the Company holding 25% of the registered capital representing US$72.28 million. Thus, the transfer of 25% equity interest in Hua Fei Company has been completed. As a result of the transaction, the RMB500 million debts together with interests accrued thereon have been fully repaid by Jiangsu International Trust to the Company by way of share transfer.

(For details, please refer to the relevant announcements published on China Securities Journal and Shanghai Securities News on 2 June 2007, and Hong Kong Ta Kung Pao and The Standard on 4 June 2007.)

9. **Significant Events:** *(Continued)*

(2) On 9 April 2007, the Company received a notice issued by Nanjing State-owned Assets Supervision and Administration Commission of the PRC ("SASAC") that on 9 April 2007, SASAC signed an agreement (the "Agreement") with China Electronics Corporation ("CEC") and Jiangsu Provincial State-owned Information Asset Management Group Company Limited ("Guo Xin Group") to jointly invest and establish a joint venture company ("the JV Company"). SASAC and Guo Xin Group invested their respective equity interest in PEGL in the JV Company.

On 11 May 2007, the Company received a notice that a business license was issued to the JV Company on 11 May 2007 after the approval of the relevant PRC government authorities. The JV Company is named as Nanjing Electronics Information Industrial Corporation ("NJEC"). The registered capital of NJEC is RMB1 billion, of which CEC accounts for 70%, SASAC accounts for 15% and Guo Xin Group accounts for 15%.

Upon completion of registration of change in PEGL's equity interest, NJEC will hold 47.98% equity interests in PEGL and becomes the largest shareholder of PEGL.

(For details, please refer to the relevant announcements dated 12 April 2007 and 14 May 2007 which were published in China Securities Journal and Shanghai Securities News, and announcements dated 27 April 2007 and 14 May 2007 which were published in Hong Kong Ta Kung Pao and The Standard.)

10. **During the reporting period, the Company did not hold equities and securities issued by other listed companies and did not hold shares of unlisted financial enterprises.**

11. **Other Events**

(1) **Tax Policies**

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 zone. The Company has been approved by the Jiangsu Provincial Technological Commission as a high and new technology enterprise, which is entitled to the preferential income tax treatment of 15% up to the present moment.

(2) **Basic medical insurance for employees**

The Company acted pursuant to the Provisional Regulations on Basic Medical Insurance for Employees in Nanjing Municipality (南京市城鎮職工基本醫療保險暫行規定) (the "Regulations") and implemented a medical insurance scheme for its employees since 1 January 2001. Medical expenses of the existing and retired employees of the Company were charged to staff welfare benefits payable. Upon the implementation of new Regulations, the Company will pay the premiums for such medical insurance scheme which are equivalent to 9% of the total salaries of all of the existing employees of the Company and will grant appropriate amount of allowance in addition to the medical premiums for employees who have serious illness and fall within the medical scheme. The total allowance given in 2007 totalled less than RMB1,800,000. Save as the aforesaid premiums, the Company will not be responsible for other medical expenses payable. The 9% contribution to the medical insurance scheme and serious illness allowance are charged to staff welfare benefits payable, and the basis on which the staff welfare benefits payable are calculated remains unchanged. Accordingly, this change in policy has no material effect on the consolidated income statement and consolidated balance sheet.