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NANJING PANDA ELECTRONICS COMPANY LIMITED

南京熊猫电子股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0553)

ANNOUNCEMENT REGARDING JUDICIAL FORCEFUL EXECUTION OF EQUITY INTERESTS OF SUBSIDIARIES, TRANSFER OF DEBT UNUSUAL MOVEMENT IN TRADING MOVEMENT AND SUSPENSION OF TRADING

Nanjing Panda Electronics Company Limited wishes to announce about the judicial forceful execution dated 10 March 2005 pursuant to which 51% of equity interests held by the Company in Nanjing Panda Mobile Communication Equipment Co., Ltd. (南京熊猫移动通信设备有限公司) and 95% equity interests held by the Company in Nanjing Panda Communication Development Co. Ltd.. (南京熊猫通信发展有限公司) was ordered to be used to set off the debt owed to Nanjing Wei Te Investment Management Company Limited (南京唯特投资管理有限责任公司). As a result, the Stock Exchange of Hong Kong Ltd. has concern as to whether the Company would comply with Rule 13.24 of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Ltd.

Nanjing Panda Electronics Company Limited wishes to announce that on 9 March 2005, the Company entered into the agreement with Nanjing Panda Mobile Communication Equipment Co., Ltd. and Jiangsu Province Investment Management Company Limited to transfer a debt of RMB 500 million owed to the Company by Panda Mobile Communication Equipment Co. Ltd. to Jiangsu Province Investment Management Company Limited.

In respect of the enquiry concerning the unusual movements in the trading volume of shares of the Company on 10 March 2005, save as the information herein, the Company also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither is the board of the Company aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

Due to the unusual movements in the trading volume of its shares on 10 March 2005, the trading in H Shares on the Stock Exchange was suspended with effect from 10:00 am on 11 March 2005. The trading of A shares of the Company has also been suspended on 11 March 2005. The board of the Company was fully aware of the need of and was keen to keep the market informed of the latest development of the Company and its subsidiaries. A further announcement providing further information on matters including the financial impact of the Judicial Forceful Execution, the transfer of debt of RMB500 million owed by Panda Mobile to Jiangsu Province Investment Management Company Limited (江蘇省投資管理有限責任公司), the advance by the Company to EMOL (Shanghai) Tele-communication Industry Co., Ltd. (上海易美通信實業有限公司), Jiangsu Tianchuang Communication Industrial Co., Ltd. (江蘇天創通訊實業有限公司) and Panda Electronics Group Limited (熊貓電子集團有限公司) involving the non-compliance with the relevant Listing Rules will be made by the Company as soon as possible.

Trading of H shares of the Company will remain suspended until the Company has properly addressed the concerns of the Stock Exchange of Hong Kong Ltd. Shareholders and potential investors should exercise extreme caution when dealing in the shares.

Nanjing Panda Electronics Company Limited (the “Company”) wishes to announce the following:

I. JUDICIAL FORCEFUL EXECUTION OF THE 51% OF EQUITY INTERESTS IN NANJING PANDA MOBILE COMMUNICATION EQUIPMENT CO. LTD. (南京熊貓移動通信設備有限公司) (“PANDA MOBILE”) AND 95% EQUITY INTERESTS IN NANJING PANDA COMMUNICATION DEVELOPMENT CO. LTD. (南京熊貓通信發展有限公司) (“PANDA COMMUNICATION”)

A. BACKGROUND AND REASONS OF THE JUDICIAL FORCEFUL EXECUTION

On 10 March 2005, the People’s Court of Xuan Wu Qu of Nanjing City took judicial forceful execution on the 51% equity interests in Panda Mobile and 95% of equity interests in Panda Communication held by the Company for the repayment of an amount of RMB120 million of debt and interests accrued thereon due from the Company to Nanjing Wei Te Investment Management Company Limited (南京唯特投資管理有限責任公司) (“Wei Te”). The Company hereby announces the following:

1. Particulars of the litigation: Due to turnover problem of liquidities, the Company was in urgent need of short term advances and therefore borrowed a short term loan from Wei Te in the amount of RMB120 million in February 2005. The Company was unable to repay the overdue debt of RMB120,000,000 to Wei Te on time as the Company faced turnover problem. On 8 February 2005, the Company entered into an Agreement for Debt Repayment with Wei Te, pursuant to which the Company agreed to make a one-off payment in relation to all the debts owed to Wei Te within eight days, and make payment for the relevant debt interests accrued thereon on a rate of 2/10,000 per day of the abovementioned debt (total cost of interests amounted RMB37,200).
2. As the Company was unable to fulfill its obligations under the Agreement for Debt Repayment on the due date, on 17 February 2005, Wei Te filed an application to the People’s Court of Xuan Wu Qu of Nanjing City for an order of payment (Order of Payment (2005) Xuan Min Du Zi No. 22 of the People’s Court of Xuan Wu Qu of Nanjing City) and requested the Company to repay the debt principal and interests accrued thereon totalling RMB120,229,259 to Wei Te within fifteen days.
3. On 9 March 2005, the People’s Court of Xuan Wu Qu of Nanjing City froze the 51% equity interests in Nanjing Panda and 95% of equity interests in Panda Communication held by the Company for the repayment of the above overdue debt to Wei Te.

4. On 10 March 2005, the People's Court of Xuan Wu Qu of Nanjing City ruled that 51% equity interests in Panda Mobile, valued at RMB19.9932 million (Asset appraisal report of Panda Mobile, (Su Tian Ye Ping [2005] No. 0335)) held by the Company and 95% of equity interests in Panda Communication, valued at RMB100.0242 million (Asset appraisal report of Panda Communication (Su Tian Ye Ping [2005] No. 0336)) held by the Company, totalling RMB120.0174 million be used to set off for the relevant debt of RMB120,229,259 owed to Wei Te (Adjudication (2005) No. 243 of the People's Court of Xuan Wu Qu of Nanjing City). After the execution of this litigation, the Company still owes Wei Te an amount of RMB211,900. The appraisal report was given by Jiangsu Tian Ye Accounting Co. Ltd (江蘇天業會計師事務所有限公司) who was appointed by the court. Jiangsu Tian Ye holds an Asset Appraisal Qualification Certificate (certificate no.32020025) issued by the Ministry of Finance of the People's Republic of China.
5. The Company has made provision of over RMB60 million in total for the decline in value in its long term equity investment of 51% interests held in Panda Mobile and 95% interests held in Panda Communication in the 2004 financial statements which is in the process of being audited. The provision for the decline in value will therefore have an impact on the profit of the Company for the year ending December 2004. The unaudited net book value of Panda Mobile is RMB 20 million and the unaudited net book value of Panda Communication is RMB 100 million on the date of the forceful judicial execution amounted to RMB120 million. The Company is of the opinion that the execution of the abovementioned equity interests in the value of RMB120.0174 million will not have a substantial impact on the profit of the Company in 2005.
6. The Company currently has not granted any guarantee to Panda Mobile and Panda Communication, and there are no contingent losses.
7. The Company has no other lawsuits and litigations that should be disclosed and remain undisclosed.
8. Since the above judicial execution involves a disposal of interests in Panda Mobile and Panda Communication by the Company, the two said subsidiaries will no longer be the subsidiaries of the Company following the implementation of the execution. The disposal of interests has already been completed on 11 March 2005 and the said interests are now vested in Wei Te.
9. In fact, Jiangsu Tianchuang Communication Industrial Co., Ltd. (江蘇天創通訊實業有限公司) ("Jiangsu Tianchuang") and EMOL (Shanghai) Tele-communication Industry Co., Ltd. (上海易美通信實業有限公司) ("EMOL") owed debt to Panda Mobile but not the Company. Therefore, after the judicial forceful execution, there would not be any rights and obligations relating to debt between Jiangsu Tianchuang and the Company or EMOL and the Company. The Company would issue further announcement with regard to such advance and the non-compliance with the relevant Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong (the "Listing Rules") as soon as possible.

B. PARTICULARS OF THE PARTIES

The Company is mainly engaged in the development, production and sale of mobile telecommunications system, satellite communication system, electromechanical and IT products.

Wei Te is a state-owned enterprise and is mainly engaged in investment management business. The Company confirmed that, to the best of their directors' knowledge, information and belief having made all reasonable enquiry, Wei Te and the ultimate beneficial owner, PRC Nanjing State-owned Assets Administration Committee (中國南京國有資產監督管理委員會), of the Wei Te are third parties independent of the Company and are not connected persons of the Company.

Panda Mobile was established in 2002 and is principally engaged in the research and sales of panda handsets. The Company held 51% equity interest of Panda Mobile. Audited total assets of Panda Mobile as at 31 December 2003 was approximately RMB1.407 billion and its audited turnover and net profit for the year ended 31 December 2003 were approximately RMB3.261 billion and RMB87.898 million respectively. No taxation was charged for the year ended 31 December 2003. As at 30 September 2004, unaudited total assets of Panda Mobile was approximately RMB2.322 billion and its unaudited turnover, profit before tax and after tax were approximately RMB1.322 billion, RMB2.894 million and 1.570 million respectively. Panda Mobile is a major operating subsidiary of the Company.

Panda Communication was established in 2002 and is principally engaged in the production of panda handsets. The Company holds 95% equity interest of Panda Communication. As at 31 December 2003, audited total assets of Panda Communication was approximately RMB465.329 million and its audited turnover and net profit for the year ended 31 December 2003 were approximately RMB3.043 billion and RMB69.759 million respectively. No taxation was charged for the year ended 31 December 2003. As at 30 September 2004, unaudited total assets of Panda Communication was approximately RMB1.158 billion and its unaudited turnover, profit before tax and tax were approximately RMB1.319 billion, RMB20.587 million and RMB16.413 million respectively.

II. THE AGREEMENT ENTERED INTO BETWEEN THE COMPANY, PANDA MOBILE AND JIANGSU PROVINCE INVESTMENT MANAGEMENT COMPANY LIMITED (江蘇省投資管理有限責任公司) (“JIANGSU INVESTMENT MANAGEMENT”)

A. BACKGROUND AND REASONS FOR THE SIGNING OF THE AGREEMENT

On 9 March 2005, the Company entered into the agreement (the “Assignment of Debt Agreement”) with Panda Mobile and Jiangsu Investment Management. The major contents of the Assignment of Debt Agreement are:

- a. As of 9 March 2005, Panda Mobile owed the Company a debt of RMB500 million.
- b. The Company agreed on the transfer of the debt of RMB500 million owed by it from the Company to Jiangsu Investment Management. The proposal of the payment of debt will be further discussed.
- c. After the execution of the Assignment of Debt Agreement, the relations of credit and debt between Panda and the Company will be changed to the relations of credit and debt between Jiangsu Investment Management and the Company.
- d. The Assignment of Debt Agreement shall come into effect with the approval of the Company’s board of directors or General Meeting.

B. PARTICULARS OF JIANGSU INVESTMENT MANAGEMENT

Jiangsu Investment Management is mainly engaged in industry investment, investment consulting and domestic trading businesses. At present, it mainly invests in power projects. Jiangsu Investment Management’s controlling shareholder is Jiangsu Provincial Guo Xin Asset Management Group Ltd. (江蘇省國信資產管理集團有限公司) (“Guo Xin Group”). Guo Xin Group, being the third largest shareholder of Panda Electronic Group Company Limited (“Panda Group”), which is the largest shareholder of the Company, holds 21.59% of the total shares of Panda Group.

The said transfer of debt constitutes a notifiable transaction and the Company would issue further announcement on the details of Assignment of Debt Agreement as soon as possible.

III. UNUSUAL MOVEMENTS IN THE TRADING VOLUME OF THE SHARES OF THE COMPANY

This statement is made at the request of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

The Company notes the unusual movements in the trading volume of its shares on 10 March 2005 and wishes to state that the Company is not aware of any reasons for such increase, save as the clarification of information stated in this announcement.

In respect of the enquiry concerning the unusual movements in the trading volume of shares of the Company on 10 March 2005, save as the information stated in this announcement, the Company also confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the board of the Company (the “Board”) aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

IV. SUSPENSION OF TRADING AND FURTHER ANNOUNCEMENT TO BE MADE

Due to the unusual movements in the trading volume of its shares on 10 March 2005, the trading in H Shares on the Stock Exchange was suspended with effect from 10:00 am on 11 March 2005. The trading of A shares of the Company has also been suspended since 11 March 2005. Since the trading of A shares of the Company was resumed in Shanghai from 14 March 2005, the Board was fully aware of the need of and was keen to keep the market informed of the latest development of the Company and its subsidiaries. . A further announcement providing further information on matters including the following will be made by the Company as soon as possible:

1. The financial impact of the Judicial Forceful Execution mentioned in the section headed “Judicial Forceful Execution of the 51% of equity interests in Nanjing Panda Mobile Communication Equipment Co. Ltd. (南京熊貓移動通信設備有限公司) and 95% Equity Interests in Nanjing Panda Communication Development Co. Ltd. (南京熊貓通信發展有限公司)” and the sufficient operation and/or assets of the Company under Rule 13.24 of the Listing Rules.
2. The reasons and impacts of the transfer of debt of RMB500 million owed to the Company by Panda Mobile to Jiangsu Investment Management.
3. The advance by the Company to EMOL (Shanghai) Tele-communication Industry Co., Ltd. (上海易美通信實業有限公司), Jiangsu Tianchuang Communication Industrial Co., Ltd. (江蘇天創通訊實業有限公司) and Panda Electronics Group Limited (熊貓電子集團有限公司) involving the non-compliance with the relevant Listing Rules.

Trading of H shares of the Company will remain suspended until the Company has properly addressed the concerns of the Stock Exchange. Shareholders and potential investors should exercise extreme caution when dealing in the shares.

As at the date of the announcement, the Board of Directors of the Company comprises of: 1. Executive Directors: Mr. Li Anjian, Mr. Zhang Zuzhong; 2. Non-executive Directors: Mr. Wu Ailian, Mr. Zhou Zhenyu, Mr. Tang Hongqing, Mr. Zhu Lifeng; 3. Independent Non-executive Director: Ms. Wan Hui, Mr. Cai Liang Lin, Mr. Ma Chung Lai, Lawrence.

By Order of the Board of Directors of the Company

Li Anjian

Chairman

18 March 2005

Nanjing, the People's Republic of China

Please also refer to the published version of this announcement in The Standard / Ta Kung Pao Daily.