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NANJING PANDA ELECTRONICS COMPANY LIMITED

南京熊貓電子股份有限公司

(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, QUALIFIED
ACCOUNTANT AND
RESUMPTION OF TRADING**

On 21 March 2005, Nanjing Panda Electronics Company Limited made a holding announcement in respect of Judicial Forceful Execution of Equity Interests of Nanjing Panda Mobile Communication Equipment Co., Ltd. (南京熊貓移動通信設備有限公司) and Nanjing Panda Communication Development Co. Ltd. (南京熊貓通信發展有限公司), transfer of debt of RMB500 million owed to Nanjing Panda Electronics Company Limited by Panda Mobile Communication Equipment Co., Ltd. (南京熊貓移動通信設備有限公司) to Jiangsu Province Investment Management Company Limited (江蘇省投資管理有限責任公司), Unusual Movement in Trading Volume of the shares of the company on 10 March 2005 and Suspension of Trading of shares of the Company.

Nanjing Panda Electronics Company Limited wishes to further announce details 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. (南京熊貓移動通信設備有限公司) and 95% equity interests held by the Company in Nanjing Panda Communication Development Co. Ltd. (南京熊貓通信發展有限公司) was ordered to be used to set off the debt owed to Nanjing Wei Te Investment Management Company Limited (南京唯特投資管理有限責任公司).

Nanjing Panda Electronics Company Limited wishes to announce further details of the agreement entered into between the Company, Nanjing Panda Mobile Communication Equipment Co., Ltd. and Jiangsu Province Investment Management Company Limited whereby the Company agreed to an assignment of a debt of RMB 500 million owed by Panda Mobile Communication Equipment Co., Ltd. to Jiangsu Province Investment Management Company Limited.

Nanjing Panda Electronics Company Limited wishes to announce that since the Company will need more time to appoint a suitable candidate to assist its proposed qualified accountant, Mr. Wu Liulin, it fails to meet the requirements set out in Rule 3.24 of the said listing rules. Since 31 March 2004, the Company has tried to locate and appoint a suitable candidate by liaising with their auditors, several Hong Kong accountancy firms and Nanjing Municipal government and trying to identify suitable persons for promotion internally within its group. The Company will continue to use its best endeavours to appoint a suitable candidate as soon as practicable. The Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

Nanjing Panda Electronics Company Limited wishes to announce about the advance 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) and the non-compliance with the relevant listing rules.

The Company would like to further announce that according to the newspapers, Mr. Ma Zi Ping was arrested in PRC. Mr. Ma is no longer associated with the Group.

The trading in H Shares on the Stock Exchange was suspended with effect from 9:30 am on 11 March 2005. The trading of A shares of the Company was also 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. Trading in H shares of the Company was suspended pending the release of this announcement, and the Company has applied to the Stock Exchange that the trading of the Company's H shares be resumed with effect from 12 September, 2005 at 9:30 a.m.

Reference is made to the holding announcement dated 18 March 2005 issued by Nanjing Panda Electronics Company Limited (the "Company") in respect of the following:

1. Judicial Forceful Execution of Equity Interests of Nanjing Panda Mobile Communication Equipment Co., Ltd. (南京熊貓移動通信設備有限公司) and Nanjing Panda Communication Development Co. Ltd. (南京熊貓通信發展有限公司)
2. Transfer of Debt of RMB500 million owed to the Company by Panda Mobile Communication Equipment Co., Ltd. (南京熊貓移動通信設備有限公司) to Jiangsu Province Investment Management Company Limited (江蘇省投資管理有限責任公司)

3. Unusual Movement in Trading Volume of the shares of the Company on 10 March 2005
4. Suspension of Trading of shares of the Company

The Company wishes to further announce the following:

I. JUDICIAL FORCEFUL EXECUTION (“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% OF 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% of 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: The Company and its subsidiary Panda Mobile, have made substantial amount of loans to Panda Electronic Group Company Limited (熊貓電子集團有限公司) and Jiangsu Tianchuang Communication Industrial Co., Ltd. (江蘇天創通訊實業有限公司) (“Jiangsu Tianchuang”) as more particularly disclosed hereunder in Parts V and VI of this announcement. This resulted in the turnover problem of liquidities of the Company and its subsidiaries (the “Group”) in early 2005 so that the Group was in urgent need of short term loan and therefore borrowed a 2-day short term loan from Wei Te in the amount of RMB120 million on 5 February 2005. The loan of RMB120,000,000 of the Company was temporarily borrowed for operation needs. The loan from Wei Te was not secured by any interest in Panda Mobile and Panda Communication or other interest. At that time, the Company has liaised with financial institutions to arrange a new loan for repayment of the RMB120 million loan after two days. However, two days later, the relevant financial institutions were unable to provide loans in time. Hence, the Company was unable to repay the debt of RMB120,000,000 which was overdue on 8 February 2005 to Wei Te. 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 from 8 February 2005, 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 to RMB37,200). There are no connected relations between Wei Te and the Company and the debt is based on normal commercial relations.

2. As the Company was unable to fulfill its obligations under the said agreement for debt repayment on the due date, namely 16 February 2005, 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 totaling RMB120,229,259 to Wei Te within fifteen days from 17 February 2005.
3. On 9 March 2005, the People's Court of Xuan Wu Qu of Nanjing City froze the 51% of 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. To prevent the Judicial Forceful Execution, the Company has liaised with the financial institutions since 17 February 2005 to raise funds for repayment of loan but failed to do so before the Judicial Forceful Execution.
4. On 10 March 2005, the People's Court of Xuan Wu Qu of Nanjing City ruled that 51% of 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, totaling 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 owed Wei Te an amount of RMB211,900 which was later fully repaid on 10 June 2005. The appraisal reports were 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 RMB84 million in total for the decline in value in its investment of 51% equity interests in Panda Mobile and 95% equity interests in Panda Communication in the 2004 audited financial statements. The decline in value has resulted a decrease in the profit and net asset of the Company for the year ended 31 December 2004. As at 31 December 2004, in the audited accounts of the Company, the audited net carrying value (所對應的長期股權投資帳) of 51% equity interests in Panda Mobile was RMB 19.9932 million and the audited net carrying value (所對應的長期股權投資帳) of 95% equity interests in Panda Communication was RMB100.0242 million, totaled RMB120.0174 million. Accordingly, the financial impact of Judicial Forceful Execution was reflected in the financial statements for the year ended 31 December 2004. When the investments in these subsidiaries with carrying amounts totaling approximately RMB120 million were judicially executed for settlement of the RMB120 million loan from Wei Te on 10 March 2005, there was no substantial profit or loss arising from the disposal of the investments.
6. The Company currently has not granted any guarantee to Panda Mobile and Panda Communication and there are no contingent losses. The Company has no guarantee to any other party regarding any obligations of Panda Mobile and Panda Communication.
7. Apart from the sums disclosed above, the Company has no other lawsuits and litigations that should be disclosed and remain undisclosed.
8. Since the Judicial Forceful Execution involves a disposal of interests in Panda Mobile and Panda Communication by the Company, the two said subsidiaries have no longer been 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. The date of the signing of the loan agreement between the Company and Wei Te is 5 February 2005. It fell within the Chinese New Year Holidays. Therefore, the Company was not able to report the matter in time. After the Chinese New Year Holidays, the Company did not promptly disclose the matter and has breached the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The Company will continue to reinforce its internal management. The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

B. PARTICULARS OF THE PARTIES

The principal business activities carried on by the Company and its subsidiaries are investment holding and the development, production and sale of satellite communication products, electro-mechanical products and electronic information products.

Wei Te is a state-owned company 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 Wei Te are third parties independent of the Company and are not connected persons of the Company. There are no connected relations between Wei Te and the Company. The debt relations between these two parties are based on normal commercial relations.

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 until the Judicial Forceful Execution. Audited total assets of Panda Mobile as at 31 December 2003 was approximately RMB1.407 billion and its audited turnover and profit before tax 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 of 31 December 2004, the unaudited total asset of Panda Mobile was RMB2.398 billion. In 2004, the unaudited turnover amounted to RMB1.498 billion while loss before tax was RMB21.727 million. No taxation was charged for the year ended 31 December 2004.

The main reasons for the loss of Panda Mobile in 2004 were:

- (1) Intense market competition and decrease in production and sales volume. The sales of handset in 2004 totaled 1,391,200 sets, 1,116,200 sets less than that of 2003 (2003: 2,507,400 sets); and
- (2) The decrease in product selling price resulted in the decrease in gross profit margin.

In addition, distribution costs, administrative expenses and finance costs increased compared with 2003.

Panda Communication was established in 2002 and is principally engaged in the production of panda handsets. The Company held 95% equity interest of Panda Communication until the Judicial Forceful Execution. As at 31 December 2003, audited total assets of Panda Communication was approximately RMB465.329 million and its audited turnover and profit before tax 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 31 December 2004, unaudited total assets of Panda Communication was approximately RMB1.095 billion and its unaudited turnover, profit before tax

and (loss) after tax for the year ended 31 December 2004 were approximately RMB1.497 billion, RMB0.535 million and RMB(3.639) million respectively.

The main reasons for loss of Panda Communications in 2004 were as follows:

- (1) keen market competition with decrease in sales volume. The sales of handset in 2004 totaled 1,410,000 sets, 1,110,000 sets less as compared with 2003 (2003: 2,520,000 sets); and
- (2) The decrease in product selling price resulted in decrease in gross profit margin.

In addition, distribution costs, administrative expenses and finance costs increased compared with 2003.

C. IMPROVEMENT OF LIQUIDITIES OF THE COMPANY

The Board believes that such situation would be improved because the Board understands from the banks that they will continue to grant loan support because of the significant improvement in respect of the cash flow of the Group after the Judicial Forceful Execution of Panda Mobile and Panda Communication. Therefore, the Group will not face any shortfall in capital in the foreseeable future as what happened in the beginning of 2005, which was caused by the huge net operating cash outflow for handset operations by Panda Mobile and Panda Communication. Also, the overall operating results of the Group will be further improved and the Group's cash and bank balance in book value was approximately RMB209 million as of 30 June 2005. Accordingly, the Group is able to settle the borrowings should there be such request for repayment by certain banks.

D. SUFFICIENT OPERATION OF THE COMPANY AND ITS SUBSIDIARIES

The all-along principal operations of the Group include mobile communication, satellite communication, electromechanical products, electronic information products, other electronics products, etc. The Group invests in operations of mobile system equipment, mobile communication terminal equipment and high-end display products through in its associates (参股公司), namely, Nanjing Ericsson Panda Communication Company Limited ("ENC"), Beijing Sony Ericsson Putian Mobile Communication ("BMC"), Nanjing Sharp Electronic Co., Ltd. ("Sharp Electronics"). Panda Mobile and Panda Communication, subsidiaries of the Company before the Judicial Forceful Execution, are engaged in self-made brand handset manufacturing. After the Judicial Forceful Execution of the two companies, viewing from the present circumstances, the focus of operations of the Group will shift from the manufacture of self-made brand in mobile communications terminal products to the manufacture of satellite communication, electromechanical products, mobile communication system equipment, other electronics products, etc.

The Directors believed that, apart from the business of handsets, the Company had sufficient assets and operating businesses to maintain its listing status. There will be rapid growth in the current businesses. For details, please refer to the audited financial information of the operations extracted in 2002, 2003 and 2004 Annual Reports as follows:

Major Operations	Net assets attributable to the Group			Turnover			Profit/(loss) after taxation and before minority interests		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Satellite telecommunication	45,574	37,648	19,745	104,094	129,298	101,378	17,926	21,854	18,525
Electromechanical	38,793	45,648	41,418	172,774	162,341	109,752	2,067	6,725	326
Electronic information	6,121	10,079	17,695	229,216	164,716	78,405	(10,002)	(11,733)	(5,828)
Other electronics products	46,576	27,799	33,204	102,664	107,621	96,043	2,193	(6,244)	(3,630)

Investments in associates	Net assets attributable to the Group			Share of operating profit		
	2004	2003	2002	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mobile communication equipment (Nanjing Ericsson Panda Communication Company Limited)	234,945	242,213	277,951	139,611	105,106	88,716
Mobile communication terminal products (Beijing Sony Ericsson Putian Mobile Communication Company Limited)	132,150	82,792	105,315	69,358	35,270	21,347
High-end display products (Nanjing Sharp Electronics Company Limited)	72,387	72,280	70,036	3,107	5,244	4,290

Explanation to the above tables:

1. Satellite communication

With its own intellectual property right and core technology in the satellite communication sector, the Group is the major producer of satellite communication products in the People's Republic of China ("PRC"). Its products are widely applied in various areas of the nation's economy. Its major products include VSAT satellite communication system, broadband satellite communication system, satellite communication system for use in disasters and accidents as well as low cost agricultural satellite communication systems. Its turnover increased from approximately RMB48.63 million in 2001 to approximately RMB104.094 million in 2004, with an average annual growth rate of 28.88%. The Directors believe that with the increasing demand for satellite communication products, the Group's satellite communication operation will have a sound prospect.

2. Electromechanical products

Electromechanical products mainly include an integrated series of electromechanical equipment, professionally used electronic measurement instruments and fine mechanical processing operations. High technology products such as the manufacture of chips selection system, three dimensional garage, environmental protection equipment and traditional advantageous products like factory automation equipment, production equipment streamline maintained leading positions in the industry. Its turnover increased from approximately RMB91.926 million in 2001 to approximately RMB172.774 million in 2004, with an average annual growth rate of 23.41%. The Directors believe that with the increased demand in professionally used equipment and instruments and processing business from foreign-invested enterprises, such business will have a bright future development.

3. Electronic information products

The electronic information products include high technology operations such as traffic electronics, system integration, software, digital television top box, tax-controlled machine etc. The Group's business of professional digital satellite receiver has advanced into the three top ones in the PRC. In terms of information system integration, the Group has become one of the three most important enterprises in Jiangsu province and is also one of the enterprises which own the largest number of national grade assets. In 2004, concerning the tender won Nanjing mass transit railway automatic ticket selling machine system, the tender amount is as high as RMB160 million. The target from now on is the development of Nanjing and the nationwide traffic tracks. Software and system integration operations are growing rapidly. It has already undertaken the weak electricity project for Nanjing Municipal Library and the upgrading and renovation of the background processing system of Nanjing Mass Transportation IC Card Company Limited. It also took the leading position in the construction of software system 'Yi Ka Tong' of Nanjing city transportation.

Other major products such as tax-controlled machine also demonstrated their great potentials in the specified market with products' professional quality and market entry limits.

4. Other electronics products

Capitalising the opportunities in the global manufacturing base shifting to China, the Group rapidly expanded its electronics manufacturing and processing operations for other electronics products such as surface mount technology, fine injection moulding and has established solid supplying and cooperation relations with multinational corporations such as LG, Sharp, Philips and Dell. With large amount of fund injected in technological renovations, the Group has established a modernized electronic manufacturing ability with a relatively large-scale operation and high quality, becoming the largest processing base of electronic products in the eastern China. At present, the Group is changing its operations from simple processing operation to equipment self-manufacturing operation as a way to enhance its profit margin.

To develop manufacturing and processing operation, the Group intended to establish an electronic manufacturing base in Xin Gang Region, Nanjing. Also, in order to enlarge the scale of electronic manufacturing and processing operation, the Company established Nanjing Panda Electronics Manufacturing Company Limited (南京熊貓電子製造有限公司) with registered share capital of USD10,000,000 in which the Company holds 75% equity interest. The principal activity of Nanjing Panda Electronics Manufacturing Company Limited is subcontracting and installation of other electronic products including AI (自動插件) and surface mount technology machining. As at 30 June 2005, the Company has invested RMB24,311,175 in Nanjing Panda Electronics Manufacturing Company Limited as capital.

5. Mobile communication equipment

Nanjing Ericsson Panda Communication Company Limited (“ENC”) was established in 1992 and is owned as to 27% by the Company. ENC’s products encompass GSM, CDMA, WCDMA and CDMA2000. It is the most integrated enterprise in terms of product lines of mobile communication system equipment in the PRC. The PRC’s 3G mobile communication will begin the large-scale construction soon, which marks the new height in fixed asset investment for the telecommunication industry with expected market investment of over several hundred billion. It will drive the relevant industries to develop rapidly. The ENC has been well prepared to ensure its leading position and market share in the 3G market by strengthening cooperation with Ericsson and utilizing its competitive advantages in technology and products.

6. Mobile communication terminal products

Beijing Sony Ericsson Putian Mobile Communication Company Limited (BMC) is the largest manufacturing base for Sony Ericsson brand handset in the world. Its products rank at the forefront of domestic and global mobile communication terminal products. The Company holds 20% of its shares.

7. High-end display products

Nanjing Sharp Electronics Company Limited was established in 1996. Its principal products include high end electronic consumables such as Crystal liquid television, projector, view camera, AV, sound system. The Company holds 30% of its shares.

The Directors believe that all of the above operations have very good prospects and ensure the Company's further development. Therefore, the Company has carried out and will continue to carry out a sufficient level of operations to warrant the continued listing of the Company's securities.

E. Financial impact of Judicial Forceful Execution

1. Impact on the turnover and net profit of the Group

Turnover generated from Panda Mobile and Panda Communication and other operations

<i>Unit: RMB million</i>			
	Year	Turnover	% of total turnover of the Group
Panda Mobile and Panda Communication	2003 (audited)	3,259	84%
	2004 (unaudited)	2,165	Not applicable *
Other operations **	2003 (audited)	608	16%
	2004 (audited)	665	100%

Net Profit/(loss) generated from Panda Mobile and Panda Communication and other operations

<i>Unit: RMB million</i>			
	Year	Net Profit/(loss) attributable to the Group	% of net profit of the Group for the year
Panda Mobile and Panda Communication	2003 (audited)	114	118%
	2004 (unaudited)	(15)	Not applicable *
Other operations **	2003 (audited)	(17)	(18%)
	2004 (audited)	66	100%

- * After Judicial Forceful Execution on 10 March 2005, the Company was not able to access or obtain underlying and detailed financial information of Two Subsidiaries to prepare the relevant audited accounts or financial statements. Hence, the Company did not consolidate the Two Subsidiaries into the audited financial statements of the Group. Therefore, the unaudited turnover of Two Subsidiaries did not constitute part of the Group's turnover and the percentage of Panda Mobile and Panda Communication over total turnover of the Group could not be calculated.
- ** Other operations represent the Group's businesses excluding Panda Mobile and Panda Communication.

Since 1997, the main source of profit of the Group was the share of results of associates. The Group had shared profit of RMB276,820,000 from associates in 2004, representing 421.7% of profit after tax of the Group.

The unaudited net loss of Panda Mobile and Panda Communications in 2004 was RMB25,370,000. Accordingly, the Judicial Forceful Execution to Panda Mobile and Panda Communications would not result in reduction of profit of the Group in near future.

2. Impact on the debt of the Group (including contingent debt)

As of 10 March 2005, following the Judicial Forceful Execution of the two companies, the outstanding bank loans not yet repaid by Panda Mobile and Panda Communication, totaling RMB567 million (unaudited), were no longer connected to the Group. As a result, the Group's outstanding bank loans as at 10 March 2005 amounted to RMB938 million, of which were short term loans with maturity ranging from 4 months to 1 year. Apart from the property situated at Building No. 54, 301 Zhong Shan Dong Road of Nanjing was pledged to the Bank of Industry and Commerce, the Group has no other assets under pledge. The Board believes that the current banking facilities, namely RMB938 million, can be maintained to ensure the continuing operation of the Group.

Up to the date of holding announcement, the Group had repaid RMB75.6 million to banks, extended loans amounting to RMB398.5 million with banks for a further from 4-month to 1 year period. The remaining balances, RMB 463.9 million, would be due within 1 year. The Company has been liaising with the existing bankers about the further extension of loans. The Board believes that the Company would successfully obtain the relevant extension of loans. The Company has also obtained a new loan of RMB8.3 million from a bank. The Company is able to meet its financial obligations as and when they fall due.

The Board believes that the current banking facilities can be maintained to ensure the continuing operation of the Group because the Board understands from the banks that they will continue to grant loan support because of the significant improvement in respect of the cash flow of the Group after the judicial execution of Panda Mobile and Panda Communication. Therefore, the Group will not face any shortfall in capital in foreseeable future as what happened in the beginning of 2005, which were caused by the huge net operating cash outflow for handset operations by Panda mobile and Panda Communication. Also, the overall operating results of the Group will be further improved and the Group's cash and bank balance in book value was approximately RMB209 million as of 30 June 2005. Accordingly, the Group is able to settle the borrowings should there be such request for repayment by certain banks.

The Judicial Forceful Execution resulted in the guarantee of RMB335 million granted by Panda Mobile to Jiangsu Tianchuang Communication Industrial Co., Ltd. (江蘇天創通訊實業有限公司) ("Jiangsu Tianchuang") was no longer charged into the Group's external guarantee, lowering the risk of contingent debt borne by the Group. The Group is no longer responsible for the guarantee.

3. Impact on cash flow of the Group

The unaudited net cash outflow from operating activities of Panda Mobile in 2004 amounted to RMB536,780,000. The unaudited net cash outflow from operating activities of Panda Communications in 2004 amounted to RMB30,690,000. Therefore, the Judicial Forceful Execution of Panda Mobile and Panda Communications would not result in reduction of net operating cash inflow of the Group in near future.

The audited net cash inflow from operating activities of other businesses of the Group in 2004 amounted to RMB39,464,000.

Taking into account the internal resources available to the Group and the available banking facilities, the Directors are of the opinion that, the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of the Judicial Forceful Execution.

4. Impact on asset quality of the Group

The Judicial Forceful Execution resulted in divestment of Panda Mobile and Panda Communication from the Group. As Jiangsu Tianchuang owed RMB1,385,174,466 (unaudited), being the trade receivables and loans, to Panda Mobile but not the Company and EMOL (Shanghai) Tele-communication Industry Co., Ltd. (上海易美通信實業有限公司) ("EMOL") owed RMB304,130,471 (unaudited), being the trade receivables, to Panda Mobile but not the Company, 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. Accordingly, the Group's asset quality will be improved.

II. THE ASSIGNMENT OF DEBT FROM NANJING PANDA MOBILE COMMUNICATION EQUIPMENT CO., LTD. (南京熊貓移動通信設備有限公司) (“PANDA MOBILE”) TO JIANGSU PROVINCE INVESTMENT MANAGEMENT COMPANY LIMITED (江蘇省投資管理有限責任公司) (“JIANGSU INVESTMENT MANAGEMENT”).

A. BACKGROUND OF THE ASSIGNMENT OF DEBT

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

- a. As of 9 March 2005, Panda Mobile owed the Company a debt of RMB500 million (“the Debt”).
- b. The Company agreed to the transfer of the Debt from Panda Mobile to Jiangsu Investment Management and Jiangsu Investment Management agreed to repay the Debt to the Company. The terms of repayment of the Debt will be further discussed.
- c. After the execution of the Assignment of Debt, the creditor/debtor relationship between Panda Mobile and the Company will cease, and creditor/debtor relationship will be created between Jiangsu Investment Management and the Company.
- d. The Assignment of Debt shall come into effect with the approval of the Company’s board of directors or shareholders at a general meeting of the Company.

B. PARTICULARS AND PRINCIPAL BUSINESS ACTIVITIES OF THE PARTIES TO THE ASSIGNMENT OF DEBT

THE COMPANY

The principal business activities carried on by the Company and its subsidiaries are investment holding and the development, production and sale of satellite communication products, electro-mechanical products and electronic information products.

JIANGSU INVESTMENT MANAGEMENT

Jiangsu Investment Management is mainly engaged in industry investment, investment consulting and domestic trading businesses. At present, it mainly invests in electricity projects, etc. and has participated in more than thirty large scale and medium scale electricity projects within and outside Jiangsu Province. 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 is the third largest shareholder of Panda Electronic Group Company Limited (熊貓電子集團有限公司) (“Panda Group”) and holds 21.59% of the total shares of Panda Group. Panda Group is the largest shareholder of the Company and holds 54.2% of the shares of the Company.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jiangsu Investment Management and its ultimate beneficial owner are not connected persons of the Company.

PANDA MOBILE

Panda Mobile was a non-wholly owned subsidiary of the Company and was held by the Company (as to 51%) and Mr. Ma Zi Ping (as to 49%), until the Judicial Forceful Execution when the said 51% equity interests in Panda Mobile was ruled to be transferred to Nanjing Wei Te Investment Management Company Limited (南京唯特投資管理有限責任公司). Since Mr. Ma is a director and shareholder of Panda Mobile, holding more than 30% shareholding, Panda Mobile is a connected person to the Company.

Panda Mobile's principal business up to 10 March 2005 was the sale of mobile phones and telecommunication products.

C. THE REASONS FOR THE ASSIGNMENT AND TRANSFER OF DEBT

Panda Mobile was in financial difficulties and would be unlikely to repay the Debt to the Company. To reduce the risk of non-recovery of the Debt, Jiangsu Investment Management which has a higher credit rating decided to take over the responsibility of the repayment of the Debt under the support of Jiangsu Provincial Government and Nanjing City Government. The Company therefore agreed to the transfer of Debt owed by Panda Mobile to Jiangsu Investment Management.

D. BENEFITS FOR THE TRANSFER OF DEBT

As advised by the Company's PRC lawyer, the transfer of the Debt complies with the requirement of the relevant PRC laws and regulations and the Assignment of Debt contains no content or terms that is detrimental to the interest of the Company and other shareholders and is in line with fair and just principles. With the implementation of the Assignment of Debt, the creditor/debtor relationship between Panda Mobile and the Company will cease and creditor/debtor relationship will be created between Jiangsu Investment Management and the Company. After the Assignment of Debt, Panda Mobile is no longer indebted to the Company in any other amounts. Since Jiangsu Investment Management has better asset quality and repayment ability, the transfer of the creditor's right and indebtedness is beneficial to the Company in recovering the Debt. The Directors believe that the Assignment of Debt is beneficial to the Company and the terms of the transaction are fair and reasonable and in the interest of the shareholders of the Company as whole.

The Company has been liaising with Jiangsu Investment Management in respect of the repayment. Jiangsu Investment Management plans to transfer some proper and duly valued assets (under fair and reasonable terms) to the Company in order to offset the Debt. The Company will liaise with Jiangsu Investment Management to confirm the concrete arrangements of repayment as soon as possible. The interest of the Debt to be paid by Jiangsu

Investment Management to the Company will also be calculated in the said repayment arrangements. It was expected that the Debt and the interest thereof would be repaid to the Company not later than the end of 2005.

The Assignment of Debt constituted connected and notifiable transaction is subject to independent shareholders' approval at the general meeting.

There would be no gain or loss arising from the Assignment of Debt as the Debt owed by Panda Mobile would be transferred in its entirety to Jiangsu Investment Management.

- E. Since the Company has not finished liaising with Jiangsu Investment Management in respect of the repayment, the Company will make further announcement once the repayment terms are finalized. Thereafter, the Company will dispatch a circular on this transaction within 21 days after publication of the further announcement.**
- F. The Debt provided by the Company to Panda Mobile constituted a financial assistance to a connected person. The Company has failed to report or disclose the Debt in time and has not sought independent shareholders' approval for the Debt. It has breached the Listing Rules and the Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

III. QUALIFIED ACCOUNTANT

According to Rule 3.24 ("Rule 3.24") of the Listing Rules, the Company must employ an individual with the qualifications set out in Rule 3.24 as its qualified accountant (the "Qualified Accountant").

The Company intends to appoint Mr. Wu Liulin (吳六林) ("Mr. Wu"), being a PRC accountant qualified nationally in the PRC under the PRC accounting laws, namely, Chapter 5 of The Law on Accountancy of the People's Republic of China, (《中華人民共和國會計法》第五章), and The Administration Measures on Qualifications for Accountant 《會計從業資格管理辦法》), and the chief accountant of the Company, namely a member of its senior management, to be the Qualified Accountant. However, since Mr. Wu is not a fellow or associate member of the Hong Kong Institute of Certified Public Accountants, the Company intends to appoint a suitable candidate with the qualifications set out in Rule 3.24 to assist Mr. Wu to carry out his duties as the Qualified Accountant. Hence, the appointment of Mr. Wu as the Qualified Accountant would depend on the appointment of a suitable candidate with the qualifications set out in Rule 3.24.

Since 31 March 2004, the Company has tried to locate and appoint a suitable candidate by liaising with their auditors, several Hong Kong accountancy firms and Nanjing Municipal government and trying to identify suitable persons for promotion internally within its group. Since the Company is a state-owned controlling listed company and selection and appointment of senior staff are complicated, it will still need more time to do so. As at the date of this announcement, the Company has not appointed a Qualified Accountant and therefore fails to meet the requirements set out in Rule 3.24. The Company will use its best endeavours to appoint a suitable candidate to assist Mr. Wu as soon as practicable. The Company will make a further announcement once the appointment is made.

The Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

IV. ADVANCE TO EMOL (SHANGHAI) TELE-COMMUNICATION INDUSTRY CO., LTD. (上海易美通信實業有限公司) AND RULE 13.13 OF THE LISTING RULES

The Company also makes this announcement pursuant to Rule 13.13 (“Rule 13.13”) of the Listing Rules to disclose the details of the advance to EMOL (Shanghai) Tele-communication Industry Co., Ltd. (上海易美通信實業有限公司) (“EMOL”) by Panda Mobile which in aggregate exceeded 8% of the market capitalisation as at 31 May 2004 and 31 December 2004.

A. ADVANCE TO AN ENTITY AND THE 8% THRESHOLD UNDER RULE 13.13

As at 31 May 2004, the advance to EMOL by Panda Mobile was RMB165,178,123.00. EMOL was owned by the controlling subsidiary of Shanghai Broadband Technology Co. Ltd. (上海寬頻科技股份有限公司), namely, Nanjing Broadband Technology Co. Ltd. (南京寬頻科技有限公司), as to 50.12%, Mr. Ma Zi Ping (馬志平) (“Mr. Ma”) as to 24.94% and Mr. Wu Zhi Jian (吳志建) as to 24.94%. EMOL is not an affiliated company for the purpose of Rule 13.16 of the Listing Rules. The Company lists out the information as at 31 May 2004 because it is the first relevant date when it triggers the requirement under Rule 13.13.

The nature of advances to EMOL is the outstanding balance of trade receivable (“EMOL Trade Receivable”) due from EMOL. EMOL Trade Receivable was arisen from sales of mobile phones to EMOL made by the Company’s subsidiary, Panda Mobile and was accumulated until May 2004. EMOL Trade Receivable was non-interest bearing and granted at the normal credit term. According to usual PRC commercial practice, the normal credit term and period are that the creditors would not usually charge any interest for the overdue trade receivables and the period(s) for settling trade receivables ranges generally from three months to four months. EMOL and other third parties trading with the Panda Mobile receive similar treatment.

The market capitalization of the Company (“Market Capitalisation”) as at 31 May 2004 was RMB903,793,000.00 which was based on the respective average closing price of the Company’s A shares (RMB8.25) and H shares (HK\$1.65) for the five business days immediately preceding 31 May 2004.

As at 31 May 2004, EMOL Trade Receivable represented approximately 4.70% of the total assets of the Group as at 31 December 2003 and approximately 18.28% of the Market Capitalisation as at 31 May 2004 which exceed the 8% threshold under Rule 13.13. Therefore, such advance is required to be disclosed under the Rule 13.13 and the Company should have made the announcement. The failure to release announcement at the earliest reasonably practicable time following 31 May 2004 constitutes a breach of the Rule 13.13.

As at 31 December 2004, the advance (nature of which is the outstanding balance of Trade Receivable due from EMOL) to EMOL amounted to RMB304,130,471 (unaudited).

Market Capitalisation as at 31 December 2004 was RMB569,236,936 which was based on the respective average closing price of Company’s A shares (RMB5.14) and H shares (HK\$1.05) for the five business days immediately preceding 31 December 2004. As at 31 December 2004, the EMOL Trade Receivable represented approximately 53.43% of the Market Capitalisation.

The Directors are of the view that advance under Rule 13.13 may not include trade receivables but then similar to “墊款” as it is not a kind of loan (貸款) as translated in the Chinese version of Rule 13.13. Since the non-compliance of Rules 13.13 is a one-off misinterpretation of the application of Rule 13.13, the Directors are of the view that the existing internal control procedures in relation to the compliance of the Listing Rules are adequate. To reinforce the management of Panda Mobile, the Company has thereafter in 2004, continuously appointed Mr. Zhou Zhenyu (周振宇), the Director of the Company, to be the chairman of Panda Mobile and to be fully responsible for the daily operations of Panda Mobile; and has also appointed Mr. Wu Liulin (吳六林), the Chief Accountant of the Company, to be the executive director of Panda Mobile and to supervise the finance of Panda Mobile. Also, Panda Mobile has set up a new decision management committee which comprised of eight (8) members. Mr. Zhou Zhenyu (周振宇) was appointed to be the supervisor of that Committee to be responsible for material decision making of Panda Mobile.

The Stock Exchange has indicated that it reserves the rights to take appropriate actions against the Company and/or its directors in relation to the breach.

B. THE CONTINUING DISCLOSURE OBLIGATION

Due to the Judicial Forceful Execution, Panda Mobile was no longer a subsidiary of the Company. Currently, the Company has no creditor's right, indebtedness or guarantee in connection with Panda Mobile, nor is there any contingent loss arising therefrom. Therefore, there is no continuing disclosure with respect to Panda Mobile and advance to EMOL after the Judicial Forceful Execution.

V. ADVANCE TO JIANGSU TIANCHUANG COMMUNICATION INDUSTRIAL CO., LTD. (江蘇天創通訊實業有限公司) (“JIANGSU TIANCHUANG”)

The Company also makes this announcement pursuant to Rule 13.13 to disclose the detail of advances from Panda Mobile of the Company to Jiangsu Tianchuang which in aggregate exceeded 8% of the total assets of the Company and the market value of the Company as at 30 June 2004 and 31 December 2004.

A. ADVANCES TO AN ENTITY AND THE 8% THRESHOLD UNDER RULE 13.13

As at 30 June 2004, the advances granted to Jiangsu Tianchuang by Panda Mobile amounted to RMB1,282,295,136.09.

As at 30 June 2004, the guarantee provided by Panda Mobile to banks for banking facilities granting to Jiangsu Tianchuang amounted RMB425,300,000.00 (together with the advances of RMB1,282,295,136.09, hereinafter referred to as “Advance to JT”) because of the misappropriation of financial resources by Mr. Ma Zi Ping (“Mr. Ma”). Jiangsu Tianchuang is controlled by Mr. Ma as he held 90% of the equity interests and Zou Jian Ping held 10% of the equity interests.

RMB594,047,439.09 of the advance granted by the Group to Jiangsu Tianchuang was the outstanding balance of account receivables (“JT Account Receivable”) due from Jiangsu Tianchuang to Panda Mobile. JT Account Receivable was incurred by the sale of mobile phones manufactured by and from Panda Mobile, a subsidiary of the Company, to Jiangsu Tianchuang and had accumulated to 30 June 2004. JT Account Receivable was waived from interest and granted under normal commercial terms. (According to usual PRC commercial practice, the normal credit term and period are that the creditors would not usually charge any interest for the overdue trade receivables and the period(s) for settling trade receivables ranges generally from three months to four months. Jiangsu Tianchuang and other third parties trading with the Panda Mobile receive similar treatment.) RMB688,247,697.00 of the advance was the loan granted by Panda Mobile to Jiangsu Tianchuang. Jiangsu Tianchuang is mainly responsible for the promotion and the sale of Panda handsets and has introduced some new products of Panda handsets from overseas. Such advances to Jiangsu Tianchuang were mainly aimed at and used in the establishment of sales channel of Panda handsets, the enhancement of advertising promotion and the introduction of

part of new models of handsets. The Company was informed that the interest of the loan granted by Panda Mobile to Jiangsu Tianchuang was calculated according to the bank interest rate of the People's Bank of China of the corresponding period until 31 December 2004 and since 1 January 2005, the loan granted by Panda Mobile to Jiangsu Tianchuang was interest-free.

According to the Company's 2003 Annual Report, the value of the total assets of the Group ("Total Assets 2003") was RMB3,515,380,000. The Market Capitalisation as at 30 June 2004 was RMB833,482,723 based on the respective average closing price of the Company's A shares (RMB7.59) and H shares (HK\$1.53) for the five business days immediately preceding 30 June 2004.

Therefore as at 30 June 2004, the Advance to JT represented approximately 48.57% of the Total Assets 2003 and 204.87% of the Market Capitalisation as at 30 June 2004 respectively, which had already exceeded the required 8% of Rule 13.13. Thus, such Advance to JT had to disclose according to the regulations of Rule 13.13. The Company should have made an announcement of this matter but it is unable to make the announcement after 30 June 2004 at a reasonable time as soon as practical, thus, resulting in the breach of Rule 13.13.

As at 31 December 2004, the advances granted to Jiangsu Tianchuang amounted to RMB1,385,174,466 and the guarantee provided by Panda Mobile to banks for banking facilities granted to Jiangsu Tianchuang amounted to RMB335,000,000.00.

According to the Company's Annual Report 2004, the value of the total assets of the Group ("Total Assets 2004") was RMB2,647,048,000. Market Capitalisation as at 31 December 2004 was RMB569,236,936, as at 31 December 2004, the Advance to JT represented approximately 64.98% of the Total Assets 2004 and 302.19% of the Market Capitalisation as at 31 December 2004 respectively.

The Advance to JT were connected transactions subject to independent shareholder's approval and the Company did not disclose the same on time, resulting in the breach of relevant rules of the Listing Rules. The Stock Exchange had reserved the right to take appropriate actions against the Company and/or the Directors related to the breach.

B. THE CONTINUING DISCLOSURE OBLIGATION

Due to the Judicial Forceful Execution, Panda Mobile was no longer a subsidiary of the Company. Currently, the Company has no creditor's right, indebtedness or guarantee in connection with Panda Mobile, nor is there any contingent loss arising therefrom. Therefore, there is no continuing disclosure with respect to Panda Mobile and advance to Jiangsu Tianchuang after the Judicial Forceful Execution.

VI. ADVANCE TO PANDA ELECTRONICS GROUP LIMITED (熊貓電子集團有限公司) (“PANDA GROUP”)

The Company also makes this announcement pursuant to the Chapter 14A of Listing Rules and Rule 13.13 to disclose the detail of advances from the Company to Panda Group which in aggregate exceeded 8% of the market value of the Company as at 30 June 2004 and 31 December 2004 which was also connected transaction.

A. ADVANCES TO AN ENTITY AND THE 8% THRESHOLD UNDER RULE 13.13

As at 30 June 2004, according to the audited financial data, Panda Group owed RMB267 million to the Company (“Advance to Panda Group”), being the loan provided to Panda Group, which holds 54.2% equity interests of the Company and hence is the largest shareholder of the Company.

The purposes of the loan were to assist Panda Group facing financial difficulties in 2004. The major terms of loan to Panda Group were (i) the interest was calculated according to the bank interest rate of the People’s Bank of China of the corresponding period & (ii) Panda Group has to repay the interest at the end of each year. The principal would be repaid according to PG’s Repayment Plan.

The Market Capitalisation as at 30 June 2004 is RMB833,482,723 based on the respective average closing price of the Company’s A shares (RMB7.59) and H shares (HK\$1.53) for the five business days immediately preceding 30 June 2004.

Therefore as at 30 June 2004, the loan represented approximately 32.07% of the Market Capitalisation as at 30 June 2004, which had already exceeded the required 8% of Rule 13.13. Thus, such advance had to disclose according to the regulations of Rule 13.13. The Company should make an announcement of this matter but it is unable to make the announcement after 30 June 2004 at a reasonable time as soon as practical, thus, resulting in the breach of Rule 13.13.

As at 31 December 2004, according to the audited financial data, Panda Group owed RMB247.679 million to the Company, being the loan provided to Panda Group, which holds 54.2% equity interests of the Company and hence is the largest shareholder of the Company.

Total Assets 2004 is RMB2,647,048,000 and Market Capitalisation as at 31 December 2004 is RMB569,236,936.

Therefore as at 31 December 2004, the advance represented approximately 9.36% of the Total Assets 2004 and 43.51% of the Market Capitalisation as at 31 December 2004 respectively.

B. PARTICULARS AND PRINCIPAL BUSINESS ACTIVITIES OF THE PARTIES

THE COMPANY

The principal business activities carried on by the Company and its subsidiaries are investment holding and the development, production and sale of satellite communication products, electro-mechanical products and electronic information products.

PANDA GROUP

The principal business activities carried on by Panda Group are production of wireless communication equipments, broadcast television equipments, hardware and electronics (五金交電), electronic components, etc. Since Panda Group holds 54.2% equity interests of the Company and is the Company's controlling shareholder, Panda Group is a connected person to the Company.

The Advance to Panda Group was connected transaction subject to independent shareholder's approval and the Company did not disclose the same on time, resulting in the breach of relevant rules of the Listing Rules. The Stock Exchange had reserved the right to take appropriate actions against the Company and/or the Directors related to the breach.

C. THE CONTINUING DISCLOSURE OBLIGATION

Saved as disclosed by this announcement, the Company did not have any other obligations to Rule 13.13 and Rule 13.16 of the Listing Rules.

The Company will fulfill the continuing disclosure obligation under Rule 13.20 of the Listing Rules so long as circumstances giving rise to the disclosure obligation under Rule 13.13 continue to exist.

D. REPAYMENT OF LOANS

Although Panda Group has recently been subject to judicial freezing of shares as disclosed in the announcement of the Company dated 13 July 2005, it expressed that it will use the best endeavours to make repayment and set down the repayment plan dated 25 July 2005 ("PG's Repayment Plan") in accordance with its own actual ability and situation. As requested by China Securities Regulatory Commission ("CSRC"), Panda Group has signed the PG's Repayment Plan according to CSRC's requirements in favour of the Company. As at 30 June 2005, the Advance to Panda Group amounted to RMB 244,378,809.09. According to PG's Repayment Plan, it was targeted that all the loans would be repaid before the end of 2007 as follows:

- (i) On or before October 2005, repay RMB30,000,000 in form of cash;

- (ii) On or before November 2005, repay RMB35,000,000 in form of assets;
- (iii) On or before December 2005, repay RMB35,000,000 in form of cash;
- (iv) On or before December 2006, repay RMB80,000,000 in form of cash; and
- (v) On or before December 2007, repay RMB64,378,809.09 in form of cash.

The Board is of the view that since Panda Group has signed the PG's Repayment Plan according to CSRC's requirements, the plan of repaying all loans before the end of 2007 is acceptable. In case Panda Group could not repay the loans according to PG's Repayment Plan, the Directors are of the view that the normal operations of the Group and the sufficiency of cash flow will not be affected.

VII. FUTURE ACTIONS

The Company did not intentionally breach the relevant provisions of Listing Rules. In fact, the delay in disclosure was caused by the Company's lack of thorough understanding of the Listing Rules and the problems with its internal control which resulted in delay in disclosure.

- (a) The Company will organize the Board to study the updates or amendments of the Listing Rules and the relevant laws and regulations from time to time to improve its information disclosure management system to keep the Stock Exchange and its shareholders informed as soon as reasonably practicable of the price-sensitive information.
- (b) The Company will enhance the scientific internal control system and its management control on subsidiaries, especially the management control on advance, capital, loans and accounts receivable by (1) strictly controlling the amount of accounts receivable under the given credit sale policy; (2) prohibiting the provision by all subsidiaries of any further external guarantees without prior approval of the Company; (3) standardizing the review and approval procedures for guarantee, loans, accountability at every level; and (4) adopting the directors accountability system.
- (c) The Company has established a new supervisory and audit department in 2004, which is responsible for the Company's internal audit and risk control by auditing the Company and its subsidiaries both on a periodic or ad hoc basis, to evaluate the financial situation of the Group and solve problems at the earliest practicable time.

- (d) The Company will appoint a qualified accountant under Rule 3.24 of the Listing Rules as soon as possible, further exerting the influences of the qualified accountant and the Supervisory Committee so as to oversee the Group in connection with its financial reporting procedures and internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting and other accounting-related issues.
- (e) The Company will appoint Horwath Risk Advisory Services Limited, which is a company providing primary corporate governance related services, to further conduct an overall examination and to propose remedial measures to the Company which must be seriously and thoroughly implemented by the Group.
- (f) The Company will carry out periodic inspections of the internal control system of the Company and its subsidiaries including the financial supervision, operation management, compliance management and risk management therein and will promptly improve the same if necessary.
- (g) With regard to connected transaction, in addition to the above measures, the Company will also use its best endeavours to implement 29 new internal rules introduced in 2005, such as the Rules of Limits on Authority of subsidiaries (子公司限權管理規定) which prohibits the authority of subsidiaries to provide guarantees to external parties or intra-group guarantees, etc., the Rules of Internal Information Reporting (內部信息報告制度) which require that material events, such as material connected transaction, acquisition and disposal of assets, litigation, etc., shall be promptly reported to the Board for timely information disclosure and the Rules of Supervision of Works (監察工作條例) which regulates the supervision of compliance with laws, rules and regulations and major investment activities, etc. to improve its internal control and monitoring.

VIII. ARREST OF MR. MA ZI PING (馬志平)

The Company has made announcement on 8 March 2005 regarding the arrest of Mr. Ma Zi Ping as reported in Sing Pao on 5 March 2005.

The Company would like to further announce that according to the newspapers, Mr. Ma was arrested in PRC. When Panda Mobile was no longer a subsidiary of the Company after the Judicial Forceful Execution, Mr. Ma has no relation with the Company or the Group since he was previously connected to the Group because of his acting as the director of Panda Mobile and being the shareholder (90%) of Jiangsu Tianchuang which held 49% of Panda Mobile.

IX. RESUMPTION OF TRADING

The trading in H Shares on the Stock Exchange was suspended with effect from 9:30 am on 11 March 2005. The trading of A shares of the Company was also 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. Trading in H shares of the Company was suspended pending the release of this announcement, the Company has applied to the Stock Exchange that the trading of the Company's H shares would be resumed with effect from on 12 September, 2005 at 9:30 a.m.

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. Xu Guofei, Ms. Liu Ailian, Mr. Zhu Lifeng, Mr. Shi Qiu Sheng; 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

9 September 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.