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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Nanjing Panda Electronics Company Limited**, you should at once hand this circular and the form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**南京熊猫电子股份有限公司**  
**NANJING PANDA ELECTRONICS COMPANY LIMITED**

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

(Stock Code: 00553)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND  
DISCLOSEABLE TRANSACTION  
AND  
NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders of Nanjing Panda Electronics Company Limited**



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Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 1 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 49 of this circular. A notice of the EGM to be held on Friday, 27 December 2024 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China is set out on pages EGM-1 to EGM-2. Whether or not you are able to attend and vote at the EGM, please complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's H Share Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the office of the Company as soon as possible and in any event not less than 24 hours before the time of the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

11 December 2024

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

“Annual Cap(s)”	the proposed annual caps of the continuing connected transactions under the CCT Framework Agreements;
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“BOM”	a bill of materials, which is a list of materials, components, parts, sub-assemblies, and the quantities of each required for the manufacture of a product;
“Business Days”	any day on which the Stock Exchange is open for the business of dealing in securities;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“CCT Framework Agreements”	(A) Sale Agreement and (B) Financial Services Agreement (fund settlement service);
“CEC”	China Electronics Corporation (中國電子信息產業集團有限公司), the de facto controller of the Company;
“CEC Finance”	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司), a company incorporated in the PRC and a non-banking financial institution of CEC, the shares of which are owned as to 57.64% by CEC and 23.60% by NEIIC;
“CEC Group”	CEC, its subsidiaries (for the purpose of this circular excluding the Group), its holding companies and their respective associates;
“Company”	Nanjing Panda Electronics Company Limited (南京熊貓電子股份有限公司), a joint stock company incorporated in the PRC with limited liability;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“CSRC”	China Securities Regulatory Commission;

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## DEFINITIONS

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“Directors”	the directors of the Company;
“EGM”	the 2024 second extraordinary general meeting of the Company to be convened and held on Friday, 27 December 2024 at 2:30 p.m. to consider and approve, among other matters, the CCT Framework Agreements and the Annual Caps;
“Electronics Equipment Company”	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊貓電子裝備有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
“Electronics Manufacturing Company”	Nanjing Panda Electronics Manufacturing Co., Ltd. (南京熊貓電子製造有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
“Financial Services Agreement”	the financial cooperation agreement entered into between the Company and CEC Finance for the provision of financial services by CEC Finance to the Group;
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of renewal of the Sale Agreement and the Financial Services Agreement (fund settlement service);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time;
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio;

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than CEC and its associates, PEGL and its associates;
“Independent third party(ies)”	third party(ies) independent of the Company and its connected person(s) as defined in the Hong Kong Listing Rules;
“Latest Practicable Date”	6 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Leadership Team”	the team set up for preventing and resolving any deposit risks, of which the general manager is principally responsible for the prevention and resolution of deposit risks as the team leader, and the financial controller of the Company acts as deputy team leader. The team leader and deputy team leader are responsible for organizing work to prevent and resolve the deposit risks. As the risk response organization, once risks occur or may occur in CEC Finance, the Leadership Team shall activate an emergency response plan pursuant to the prescribed procedures;
“NEIIC”	Nanjing Electronics Information Industrial Corporation (南京中電熊貓信息產業集團有限公司);
“PEGL”	Panda Electronics Group Limited (熊貓電子集團有限公司), the controlling Shareholder (by virtue of its ability to control the composition of a majority of the Board) of the Company, holding approximately 23.05% of the total issued share capital of the Company as at the Latest Practicable Date;
“PEGL Group”	PEGL and its subsidiaries;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Agreement”	the agreement on the sale of materials, components and parts entered into between the Company and CEC for the sale of materials by the Group to CEC Group;

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“SMT” or “SMT Chip”	SMT refers to surface mounted technology, which is currently the most popular technology and processing method in the electronic assembly industry; a SMT Chip is the abbreviation of a series of procedures for printed circuit boards processing;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“T-CON Board”	a timing controller board, which is used to process and control the timing signals necessary for the control panel to function in a synchronized manner and generate control signals to directly drive the display panel; and
“%”	per cent.

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LETTER FROM THE BOARD

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南京熊猫电子股份有限公司  
NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

*Executive Directors*

Mr. Xia Dechuan (*Chairman*)

Mr. Hu Huichun

*Registered Address:*

7 Jingtian Road

Nanjing, the PRC

*Non-executive Directors*

Mr. Liu Jianfeng

Mr. Hu Jin

Mr. Yi Guofu

Mr. Lv Song

*Office Address:*

7 Jingtian Road

Nanjing, the PRC

Postal Code: 210033

*Independent non-executive Directors*

Mr. Dai Keqin

Ms. Xiong Yanren

Mr. Chu Wai Tsun, Baggio

11 December 2024

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND  
DISCLOSEABLE TRANSACTION  
AND  
NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 22 November 2024 in relation to the entering into of the CCT Framework Agreements to renew the existing continuing connected transactions of the Company. This matter is subject to the approval of Shareholders at the EGM.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (i) further details on the renewal of continuing connected transactions of the Company under the CCT Framework Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Sale Agreement and the Financial Services Agreement (fund settlement service); and (iv) other information prescribed by the Listing Rules.

### II. CONTINUING CONNECTED TRANSACTIONS

#### 1. BACKGROUND INFORMATION

References are made to the announcements of the Company dated 15 November 2021 and 30 October 2023, and the circular dated 13 December 2021, in relation to, among others, the continuing connected transactions between the Company and its connected persons and the revision of annual caps of the continuing connected transactions. The continuing connected transactions of the Company in relation to the financial services last for a term of 3 years from 28 December 2021 to 27 December 2024; the remaining continuing connected transactions last for a term of 3 years from 1 January 2022 to 31 December 2024.

The existing continuing connected transactions of the Company in relation to the financial services and the remaining continuing connected transactions will expire on 27 December 2024 and 31 December 2024 respectively, and are expected to continue after the expiration. In consideration of the actual business development of the Group and the relevant business needs of the connected persons of the Company, the Board proposes to enter into the CCT Framework Agreements to renew the existing continuing connected transactions with the CEC Group and CEC Finance.

On 22 November 2024, the Company (on behalf of the Group) entered into the CCT Framework Agreements with the CEC Group and CEC Finance accordingly as disclosed in the announcement of the Company dated 22 November 2024.

As CEC is the de facto controller of the Company and the controlling shareholder of NEIIC; NEIIC is the controlling shareholder of PEG, the controlling shareholder of the Company; and CEC Finance is a subsidiary of CEC, accordingly CEC, CEC Finance and their respective associates constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the relevant CCT Framework Agreements constitute continuing connected transactions of the Company.



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## LETTER FROM THE BOARD

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### 2. HISTORICAL AND PROPOSED ANNUAL CAPS

The table below sets forth a summary of the categories and the historical and proposed Annual Caps of the relevant continuing connected transactions among the Company, the CEC Group and CEC Finance:

Categories of the Continuing Connected Transactions	Annual Caps	
	Historical 1 January 2022 to 31 December 2024 <i>(RMB'000)</i>	Proposed 1 January 2025 to 31 December 2027 <i>(RMB'000)</i>
(A) Sale of materials, components and parts by the Group to the CEC Group	650,000	500,000
	Historical 28 December 2021 to 27 December 2024 <i>(RMB'000)</i>	Proposed 28 December 2024 to 27 December 2027 <i>(RMB'000)</i>
(B) Financial services (fund settlement services)	500,000	700,000

### 3. PARTICULARS OF RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

**(A) *Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group***

1. Agreement: Agreement for the sale of materials, components and parts
2. Date: 22 November 2024
3. Term: From 1 January 2025 to 31 December 2027
4. Parties:
  - (1) the Company
  - (2) CEC

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## LETTER FROM THE BOARD

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5. Nature of the transaction: The products sold by the Group to CEC Group include: LCD panel production line system and its related system, equipment and consumables, production line system automation transformation and its related system and equipment, printed circuit board assembly, communication products, power supply products, tablets, capacitors and other electronic products and devices, and software and other information-based office products.
6. Existing Annual Cap: RMB650,000,000
7. Reasons for the transaction: The sale of materials, components and parts by the Group to the CEC Group will enlarge the Group's business scale and provide a stable source of income for the Group. Therefore, the renewal of the transaction is beneficial to the Group and in the interest of the Group. The Company will renew the agreement with CEC in respect of such sales of materials, components and parts.
8. Pricing basis and terms of payment: The Group is entitled to charge the CEC Group a reasonable price for the products it sells based on the fair dealing principle, and the CEC Group shall undertake the corresponding payment obligations. The price for sale of materials, components and parts sold by the Group to the CEC Group shall be determined after arm's length negotiation between the parties based on the relevant pricing policy (as disclosed below) and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the Group shall be no less than those charged to an independent third party at the same period of time for the same or similar products.

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## LETTER FROM THE BOARD

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The selling prices of products such as raw materials, components and parts sold by the Group to the CEC Group will be determined on a fair and equitable basis with reference to the market prices or agreement prices or using the cost-plus pricing approach.

For the purpose of this agreement, market price refers to: the price charged by PRC enterprises in the same industry for selling products of the same type.

For the purpose of this agreement, agreement price refers to (1) the prices to be determined with reference to the transaction records of similar products sold by the Group during the previous years based on the market price and considering the increases in costs for raw materials and human resources; or (2) the import price of relevant products plus the import cost to be incurred by the Group and a certain amount of profit, in case there is no supply of relevant products sold by the Group in the domestic market. The Group adopts the agreement price in the absence of market price.

For the purpose of this agreement, cost-plus pricing refers to the approach to determine the price based on the cost plus reasonable fees and profits.

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## LETTER FROM THE BOARD

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The products and equipment which the Group sells to the CEC Group include non-standardized products (i.e. tailor-made products) and comparable products in the open market, which are mainly:

- (i) With regard to the sales of liquid crystal substrate glass lines and related systems, operation and maintenance management platforms and software and other products by Electronics Equipment Company under the Group to the companies under the CEC Group, cost-plus pricing approach shall apply. After technical departments of the parties confirm the plan, Electronics Equipment Company will prepare drawing papers and procurement lists, and arrange procurement of raw materials and production plans, the ultimate costs of the products are to be confirmed by the marketing department. For the purpose of product quotations, product costs may be used as the pricing basis, and product prices shall be the costs plus a gross profit margin ranging from 13% to 17%, such gross profit margin is not less than the weighted average gross profit margin of the same or similar products of the Group.

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## LETTER FROM THE BOARD

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- (ii) With regard to the sales of printed circuit board assembly by Electronics Manufacturing Company under the Group to the companies under the CEC Group, market prices shall apply. Electronics Manufacturing Company arranges purchases of raw materials in accordance with the design drawings and BOM received from the companies under the CEC Group and organizes SMT processing. For printed circuit board, the unit price is the sum of the costs for raw materials and the fees charged for SMT processing. In particular, Electronics Manufacturing Company renders SMT processing services and purchases raw materials from specific suppliers as nominated by the companies under the CEC Group at specific purchase price. For SMT Chip processing, the fees are charged by piece, with reference to the open market quotations and the fees Electronics Manufacturing Company charged to independent third parties. The open market quotations of SMT Chip processing are determined with reference to the Made-in-China.com (中國製造網) (<http://cn.made-in-china.com/catalog/smttpjg.html>). “Made-in-China.com” is one of the most referred websites for quotations within the electronic industry in the PRC. The rates of Electronics Manufacturing Company fall within the range listed in the quotation. Officers of the marketing department of the Group’s subsidiaries will compile a SMT processing service fee list based on the quotations obtained from the above-mentioned website for the head of the marketing department to review and approve. The head of the marketing department will then discuss with customers and determine the final contract fee, which shall fall within the scope of the approved fee list.

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## LETTER FROM THE BOARD

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- (iii) The products sold by the Group to the CEC Group, which have comparable products in the open market, include: electronic products case and related kits, communication products, power supply products, tablets, capacitors and other electronic products and devices, as well as software and other information-based office products, to which market prices shall apply. Prices of such products are determined with reference to the prevailing market prices and shall not be lower than those charged to independent third parties for the same or similar products at the same period of time. In order to ensure the terms of the products sold by the Group to the CEC Group are in line with prevailing market prices, the Group will compare prices of same or similar products required by at least one other independent customers for the same period when determining whether the price offered by the Group to the CEC Group is the market price, so as to ensure that the sales transactions with the CEC Group will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

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## LETTER FROM THE BOARD

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The officers of the marketing department of the subsidiaries of the Group will send the user manual or the BOM to the manufacturing department and procurement department with the needs of the customers being taken into account. The manufacturing department will make arrangements with respect to the machinery and personnel and propose a production plan. Meanwhile, the procurement department and the suppliers will confirm the prices for the materials required for the production, and the officers of the marketing department will estimate the cost of the products in accordance with the information provided by the manufacturing department and the procurement department as well as other relevant information. The head of the marketing department will then negotiate with the customers and determine the final price for the products on the basis of the said information and with reference to comparable market prices.

The effective conditions of the agreements are to be agreed by the parties and set forth in the individual implementation agreement. The Group and the CEC Group will procure that the core terms of such implementation agreements are consistent with the relevant terms of this agreement. In case of any conflict between the implementation agreements and this agreement, this agreement shall prevail.

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## LETTER FROM THE BOARD

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9. Historical figures: The historical amounts of materials, components and parts sold by the Group to the CEC Group are as follows:

	Nine months		
	ended	Year ended	Year ended
	30 September	31 December	31 December
	2024	2023	2022
	(unaudited)	(audited)	(audited)
Amount (RMB'000)	108,230	222,640	356,270

*Note:* The difference between the proposed annual cap and the actual transaction amount was due to: (1) the CEC Group adjusted the LCD business segment and part of the Group's T-CON Board sales business volume declined; and (2) the business between Electronics Equipment Company of the Group and Xianyang Zhongdian Rainbow Group Holdings Co., Ltd.\* (咸陽中電彩虹集團控股有限公司) of the CEC Group did not commence as expected.

10. Proposed Annual Cap: The Board proposes to decrease the Annual Cap from RMB650,000,000 to RMB500,000,000.

Such amount was determined with main reference to:

- (i) the total transaction volume and transaction amounts of materials, components and parts sold by the Group to the CEC Group during the previous years; and



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## LETTER FROM THE BOARD

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- (ii) the estimated categories, total volume, amount of the products to be sold to the CEC Group by the Group during the term of this agreement. It is estimated that the total annual transaction amount of the products to be sold by the Group to the CEC Group during each of the three years ending 31 December 2027 will be approximately RMB466 million. In particular, it is expected that (1) the business volume between the Group and Nanjing Panda Handa Technology Co., Ltd.\* (南京熊猫汉达科技有限公司) of the CEC Group will increase due to increase in business demand of Nanjing Panda Handa Technology Co., Ltd. and the highest annual transaction amount is estimated to be approximately RMB324 million; and (ii) the business volume between the Group and Guizhou Zhenhua Yilong New Materials Co., Ltd.\* (贵州振华义龙新材料有限公司) of the CEC Group will increase due to increase in business demand of Guizhou Zhenhua Yilong New Materials Co., Ltd. and the highest annual transaction amount is estimated to be approximately RMB50 million.

The decrease in the Annual Cap for the transaction from RMB650,000,000 to RMB500,000,000 is mainly due to the fact that the Group significantly lowered the annual caps for sales of materials, components and parts after the CEC Group adjusted the LCD business segment and part of the Group's T-CON Board sales business volume declined.

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## LETTER FROM THE BOARD

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**(B) *Financial Services Agreement (fund settlement service)***

1. Agreement: Financial Services Agreement
2. Date: 22 November 2024
3. Term: From 28 December 2024 to 27 December 2027, subject to approval of the Independent Shareholders at the EGM
4. Parties:
  - (1) the Company
  - (2) CEC Finance
5. Principal terms:
  - (1) Subject to compliance with the laws and regulations in the PRC and the operation rules of financial institutions, services provided by CEC Finance to the Group include dealing with financial and financing consultancy, credit verification and other relevant consulting and agency services; deposit services; loan services; provision of entrusted loans, bond underwriting, and non-financial guarantee business; provision of bill acceptance and discounting services for the Group; handling financial services such as settlement of funds and receipt and payment among members of the Group.

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## LETTER FROM THE BOARD

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(2) CEC Finance shall provide the fund settlement services (one of the categories of services under the Financial Services Agreement) in accordance with the following principles of services:

(a) Fund settlement service

(i) This category comprises of mainly deposit services including but not limited to receipt and payment of transaction funds, foreign exchange settlement and sale of foreign exchange, deposits taking and handling time deposits, call deposits, agreement deposit and other services. CEC Finance shall install internet banking system for the relevant enterprises, provide statements on a regular basis, and provide special computers for fund settlement to the relevant enterprises whose fund settlement flow and balance have reached a certain scale.

(ii) For the balance of the Group with CEC Finance, CEC Finance guarantees to make full payment according to the instruction of the Group immediately, together with the payment of interests accrued on such deposit at a deposit interest rate not lower than those offered by domestic commercial banks for the same period. CEC Finance calculates the interests based on the accumulated interest method and pays interests on a quarterly basis.

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## LETTER FROM THE BOARD

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- (3) CEC Finance shall grant exemptions to the Group from paying remittance and transfer fees when fund settlement is carried out by CEC Finance, grant exemptions of fees for issuing letter of confirmation requests provided by CEC Finance to the Group and grant exemptions of fees for general planning and consultancy services provided by CEC Finance to the Group, except special financial consulting projects.
- (4) The Group agrees to give preference to the financial services of CEC Finance within the cap provided in the Financial Services Agreement (fund settlement service). Prior to utilizing the financial services of CEC Finance, the Group will verify whether the terms of cooperation provided by CEC Finance are more favourable or not less favourable than the financial services provided by independent third parties through understanding market conditions.
- (5) CEC Finance guarantees that it will operate strictly in accordance with the Risk Monitoring and Assessment Indicators stipulated by the China Banking and Insurance Regulatory Commission (CBIRC). The key regulatory indicators, such as the asset-liability ratio and liquidity ratio, shall comply with the provisions of Article 34 of the “Administrative Measures for Financial Companies of Enterprise Groups” and the requirements of the CBIRC. CEC Finance shall notify the Company immediately in the event that there are any material changes in its corporate structure, any equity transactions or operational risks which may affect the normal operations of CEC Finance, and the Company shall have the right to suspend or discontinue the services provided by CEC Finance in such circumstances.

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## LETTER FROM THE BOARD

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- (6) In the event that CEC Finance encounters any material matters such as run on deposits, failure to meet debt obligations when they fall due, large amount of overdue loan or guarantee advance, severe computer breakdown, being robbed or deceived or any of its directors or senior management found in serious violation of disciplines or involved in a criminal case, it shall immediately notify the Group and take emergency measures.
- (7) CEC, being the controlling shareholder of CEC Finance, undertakes that, in the event of an emergency situation where CEC Finance has difficulty in making payments, CEC will increase the corresponding capital to CEC Finance in accordance with the actual need to resolve the payment difficulties.
- (8) In case of any other event that may give rise to potential risk regarding the deposits placed by the Group, CEC Finance shall immediately notify the Group and take necessary measures in this regard.
- (9) CEC Finance can provide the copies of regulatory report submitted to CBIRC by CEC Finance for the Company's retention in accordance with the relevant requirements of the CSRC; and shall provide financial statements of CEC Finance on a regular basis for the Company's review.

6. Existing Annual Caps: Fund settlement services: RMB500,000,000.

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## LETTER FROM THE BOARD

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7. Reasons for the transaction:

Prior to the renewal of Financial Services Agreement (fund settlement service), CEC Finance has been providing relevant financial services to the Group. In light of the better and convenient services of CEC Finance, provision of the most favourable interest rates for deposits to the extent it is allowed by the relevant policies and regulations, exemption from handling fees for fund settlement between the Company and its subsidiaries, the Company intends to renew the Financial Services Agreement (fund settlement service) to obtain the most favourable financing costs and achieve the best economic efficiency.

According to the Risk Assessment Special Audit Report on China Electronics Financial Co., Ltd. (Da Xin Audit Special [2024] No. 1-02980) 《關於中國電子財務有限責任公司風險評估專項審計報告》(大信專審字[2024]第1-02980 號)) issued by WUYIGE Certified Public Accountants LLP, the accounting firm, after the audit of the assessment of the risks related to the fund deposited with CEC Finance, is not aware of any material defects in the risk control system regarding the financial statements of CEC Finance as of 30 June 2024.

In conclusion, this connected transaction allows the Group to maintain a stable and reliable financing channel for the long run. By leveraging the professional advantages of CEC Finance and its quality and convenient services, the Group is able to reduce financial costs, improve the effectiveness of capital utilization, enhance the overall economic efficiency, and facilitate the continuous and stable development. The continuing connected transaction will not prejudice the interests of the Company and the minority shareholders.

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## LETTER FROM THE BOARD

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8. Pricing policy: Pursuant to the Financial Services Agreement (fund settlement service), the fees and charges payable by the Group to CEC Finance and the interest receivable by the Group from CEC Finance shall be determined according to the following basis:

The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period. The interest rate for the Group's deposit offered by CEC Finance will be independently verified by the finance department of the Company by comparing the rates and terms offered by at least four major commercial banks in the PRC. CEC Finance will not charge the Group for any other services within this category.

9. Historical figures: The historical amounts of the balance of fund settlement service are as follows:

	As at 30 September 2024 <i>(unaudited)</i>	As at 31 December 2023 <i>(audited)</i>	As at 31 December 2022 <i>(audited)</i>
Fund settlement service <i>(RMB'000)</i>	396,180	494,050	497,890

*Remark:* In 2022 and 2023 and the period from January to September 2024, the amounts of the balance of fund settlement service of the Group did not exceed the caps for the corresponding years.

*Note:* The difference between the proposed annual cap and the actual transaction amount was because the Group did not have significant financial needs during the relevant period.

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## LETTER FROM THE BOARD

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10. Proposed Annual Cap: The Group deposits part of the available cash with CEC Finance while the remaining will be deposited with other domestic commercial banks to diversify the funding risk. The maximum daily deposit balance of the Group with CEC Finance is RMB700,000,000, which was determined based on (a) the existing business scale of the Group and the demands for sustainable development and expansion thereof; (b) the expected future business development. Based on the existing annual caps for the fund settlement services of RMB500,000,000, the utilisation rates for the historical amounts of the maximum daily deposit as at 31 December 2022, 31 December 2023 and 30 September 2024 were at approximately 99.6%, 98.8% and 79.2% respectively, indicating that the Group has a constant substantial demand for deposit services offered by CEC Finance. Having considered (i) the cash flow position of the Group; (ii) the idle cash not deposited with CEC finance as at 30 September 2024 amounted to approximately RMB361.7 million; (iii) the relatively high historical utilisation rates for deposit services of CEC Finance for the two year ended 31 December 2023 and the nine months ended 30 September 2024; and (iv) the Group's plan to increase utilisation rate of its funds through the centralised fund management with CEC Finance, the Group intends to increase the annual cap for the fund settlement services from the historical amount of RMB500,000,000 to RMB700,000,000.



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## LETTER FROM THE BOARD

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#### 4. INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

In order to protect the interests of the Company and the Shareholders as a whole, the Company has adopted the following guidelines and internal control mechanism to monitor all the continuing connected transactions between the Group and the CEC Group and CEC Finance under the CCT Framework Agreements, including:

##### *Selling price of the goods and services charges*

- (1) The selling price of the goods and services charges are determined based on relevant price lists compiled respectively by the sales department and of the marketing department of the Company or its subsidiaries and reviewed by the heads of such departments. The said price lists are mark-to-market, updated every month and applicable to transactions with both the connected persons and the independent third parties;

In addition, transaction prices for all the transactions contemplated under the CCT Framework Agreements of the Group have been determined by making reference to market prices, agreement price, cost-plus pricing, government-prescribed price or government guidance price, respectively. The procedures for preparing the quotations using each of the pricing approaches are as follows:

- (i) Making references to market prices: the pricing for most of the Group's products and services is determined with reference to market prices. Such pricing basis is adopted for:
  - (A) provision of raw materials, components and parts under the Sale Agreement; and
  - (B) services under the Financial Services Agreement.

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## LETTER FROM THE BOARD

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- (ii) Making references to agreement prices: the Group adopts the agreement price in the absence of market price. Such pricing basis is based on:
- (1) the price is determined based on past annual transaction records for similar products or services at market prices, taking into account the rising costs of raw materials and labor; or
  - (2) if there is no supply of raw materials or machinery for the related products in the domestic market, the price will be the import price of the raw materials or machinery plus import costs and a certain profit margin.
- (iii) Cost-plus pricing: the Company adopts the cost-plus pricing approach for non-standard products. The marketing department and the technological department will exchange ideas in relation to the technological plans based on customer's needs and determine the final implementation plan and the list of equipment. The technological department will provide the production drawings for machined parts and the procurement list and the procurement department will provide the quotations for the procurement costs based thereon. The production and planning department will quote the labor costs with respect to assembling and commissioning in accordance with the final implementation plan. The officers of the marketing department will calculate the total costs for the project by summing up the procurement, processing and assembling costs and upon the review by the head of the marketing department, the quotation for the project will be determined based on the market prices along with the needs of the customer. The final contract price will be determined after negotiations between the head of the marketing department and the customer. Such pricing basis is adopted for non-standardized products under (A) the Sale Agreement.
- (iv) Government guidance prices: As at the Latest Practicable Date, there are no relevant transactions under the aforesaid agreements to which the government-guidance price is applicable.
- (v) Government-prescribed prices: As at the Latest Practicable Date, there are no relevant transactions under the aforesaid agreements to which the government-prescribed price is applicable.

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## LETTER FROM THE BOARD

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- (2) The legal department of the Company shall conduct review on compliance for each of the transactions under the agreements every three months, while the Company's financial department shall conduct regular review on the pricing and amounts of these transactions under the agreements every three months to ensure the relevant pricing policies have been complied with;
- (3) The audit committee of the Company is responsible for the control and daily management (including monitoring the pricing terms) of the connected transactions of the Company. Members of the audit committee would conduct independent random review on the connected transactions every six months, compare with the transactions entered into with independent third parties, obtain reports issued by the Company's financial staffs on the connected transactions, and review the original copies of orders placed under the CCT Framework Agreements and the letters issued by the audit institutions in respect of the connected transactions.
- (4) Before conducting business under the Financial Service Agreement (fund settlement service), the Company will carry out prior survey first to ensure that the business conducted with the CEC Finance is in line with the agreement, by referring to the rates charged by commercial banks for same business during the same period.

### ***Financial services***

For the utilization of relevant financial services provided by CEC Finance, the Company has established the Emergency Risk Management Plan for the Deposits Placed with China Electronics Financial Co., Ltd. (《在中國電子財務有限責任公司存款應急風險處置預案》), and the relevant internal control procedures and corporate governance measures primarily include the followings:

- (1) the Company has established a Leadership Team for preventing and addressing deposit risks to be in charge of matters in relation to deposit risk prevention and handling and monitoring the status of deposits with and operations of CEC Finance;
- (2) the Company has established a deposit risk reporting system, whereby the finance department will be responsible for drafting the deposit risk assessment report in respect of the operation qualifications, business and risk profile of CEC Finance, which shall be reported to the Board of the Company every six months;

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## LETTER FROM THE BOARD

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- (3) all or part of the deposits placed with CEC Finance will be drawn out occasionally, i.e. twice every financial year, to examine the safety and liquidity thereof and make relevant records in this regard to ensure that the fees paid to or charged by CEC Finance are less than or not more than the fees paid to or charged by independent third parties for the same period;
- (4) during the period when the Group has deposit(s) placed with CEC Finance, the Company will annually obtain and review the financial report of CEC Finance as audited by a qualified accounting firm, and designate a professional service agency and officers to assess the risk profile of capital placed with CEC Finance every half year. The assessment report will be disclosed in the interim report and annual report of the Company after the consideration and approval by the Board of the Company;
- (5) a copy of regulatory report submitted by CEC Finance to CBIRC will be provided to the Company for record according to the relevant requirements of CSRC; and
- (6) the quarterly financial statements of CEC Finance for each quarter will be provided to the Company on the tenth business day in the next following month.

In addition to the above, the Company has also formulated emergency measures under the Emergency Risk Management Plan for the Deposits Placed with China Electronics Financial Co., Ltd. (《在中國電子財務有限責任公司存款應急風險處置預案》), which mainly include:

1. If a deposit risk has occurred, the finance department of the Company will report to the Leadership Team of the Company immediately. Upon CEC Finance providing the Company with details of the risk, the Leadership Team shall look into the causes behind the risk and analyze the dynamics of the risk. The Leadership Team will also implement the measures and duties for resolving risks as stipulated in the risk response plan for resolving risk and formulate a plan for coping with the risk. The plan shall be amended and supplemented timely based on the changes and developments of the deposit risk and the issues identified during the implementation.
2. The Leadership Team shall convene a joint meeting with CEC Finance with regard to risks that occurred and prompt CEC Finance to take proactive measures in a bid to mitigate the risks and prevent the risks from spreading and expanding.
3. The Company shall strictly exercise the rights granted to it under its articles of association and exercise all legal rights to safeguard the interests of the Company against being damaged whenever necessary.

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## LETTER FROM THE BOARD

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4. The finance department shall report on the execution and implementation of the risk response plan to the Leadership Team and the Board on a timely basis. The Leadership Team and the Board may adjust the risks response plan for coping with the risks in accordance with the actual circumstances when executing and implementing the risk response plan.
5. After the contingent deposit risks subside, the Leadership Team shall reinforce its supervision on CEC Finance. The Leadership Team shall request CEC Finance to strengthen its funds and increase the anti-risk capacity and re-evaluate the deposit risks of CEC Finance and adjust the proportion of deposits if necessary.
6. The Leadership Team, together with CEC Finance, shall analyze and summarize the causes behind the contingent deposit risks and the consequences, so as to better prevent and cope with the deposit risks. If the factors that affect the risks cannot be eliminated within a reasonable time, all the deposits shall be withdrawn.

The responsibilities of the Leadership Team include:

1. Accountable to the Board and has full responsibility for preventing and coping with deposit risks;
2. To receive report(s) on deposit risks prepared by relevant departments of the Company and review the risk evaluation report submitted by the finance department;
3. To present the risk evaluation report to the Board on a regular basis;
4. To activate the emergency response plan when necessary and perform the obligation of disclosing the corresponding information;
5. To organize investigations and analyses and formulate risk response plans upon the activation of the emergency response plan;
6. To track the implementation of the risk response plan and make adjustments to the same in accordance with the circumstances when executing and implementing the plan;
7. To act on behalf of the Company to negotiate with CEC Finance on matters regarding the prevention of and response to the deposit risks;
8. To act on behalf of the Company to exercise all legal rights to safeguard the interests of the Company against being damaged.

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## LETTER FROM THE BOARD

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Deposit risks include the following circumstances:

- (1) CEC Finance in breach of the provisions under Articles 31 (shall not engage in offshore business), 32 (shall not engage in non-financial services business including industrial investment or trading) or 33 (branches of a finance company shall not provide guarantee service) of the “Measures for the Administration of Finance Companies of Enterprise Groups”《(企業集團財務公司管理辦法)》;
- (2) CEC Finance not in compliance with any of the gearing ratio requirements under Article 34 of the Measures for the Administration of Finance Companies of Enterprise Groups”《(企業集團財務公司管理辦法)》;
- (3) CEC Finance encounters any run on deposits, insolvency, substantial amount of overdue loans or guarantee advances, computer system breakdowns, robbery or fraud, involvement of its director(s) or senior management in serious disciplinary offences or criminal offences and other material matters;
- (4) CEC Finance suffers substantial losses in its negotiable securities investment business in an amount that reaches 50% of the registered capital of CEC Finance;
- (5) any matter such as significant organizational changes, equity transactions or operational risks that may affect the normal operations of CEC Finance has taken place;
- (6) the balance of the loans advanced by CEC Finance to a single shareholder exceeds 50% of the registered capital of CEC Finance or the contribution made to CEC Finance by the said shareholder;
- (7) the balance of the deposits placed with CEC Finance by the Company exceeds 50% of the deposits taken by CEC Finance;
- (8) any liabilities due to CEC Finance by any of its shareholder(s) remains unpaid for more than one year;
- (9) CEC Finance has recorded losses exceeding 30% of its registered capital for the current year or exceeding 10% of its registered capital for 3 successive years;
- (10) CEC Finance has received administrative punishment from regulatory authorities such as CBIRC due to activities in breach of laws and regulations;

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## LETTER FROM THE BOARD

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- (11) CEC Finance is ordered to make rectification by CBIRC; and
- (12) other matters which, in the opinion of the Directors, may bring potential threats to the safety of the Company's deposits.

### **5. REASONS FOR AND BENEFITS OF THE RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

The Board is of the opinion that as the Group started business relationship with the PEGL Group since the listing of the Company in 1996, the services mutually provided between the PEGL Group and the Group have reached satisfactory results and provided overall business and operational convenience to the Group. The Group has been maintaining business relationship with CEC Group prior to the change in de-facto controller of the Company in 2012 and such businesses became connected transactions after the change in de-facto controller of the Company. In recent years, CEC Group and the Group have been satisfying their needs through mutual provision of services and the purchase and sale businesses have been developing steadily.

It is expected that the provision of the Sale Agreement will provide a stable source of income to the Group, and that the Group will secure a steady and reliable supply of quality services, materials, components and parts.

The provision of financial services by CEC Finance to the Group allows the Group to maintain a stable and reliable financing channel for the long run. By leveraging the professional advantages of CEC Finance and its quality and convenient services, the Group is able to reduce financial costs, improve the effectiveness of capital utilization, enhance the overall economic efficiency, and facilitate the continuous and stable development.

The reasons for and the benefits of the renewal of continuing connected transactions are set out in the paragraphs under "Reasons for the transaction" of "Particulars of Renewal of the Continuing Connected Transactions" above.

Taking into account the above, the Directors (of which the independent non-executive Directors will express their opinions on the relevant continuing connected transactions to the Independent Shareholders after receiving advice from Gram Capital) are of the view that the renewal of the Sale Agreement and the Financial Services Agreement (fund settlement service) is favorable to the stability of the production and operation of the Company, and the terms of these agreements are fair and reasonable. The renewal of such agreements is in the interest of the Company and all Shareholders as a whole and does not have an impact on the independence of the Company. The revised Annual Caps under the continuing connected transactions will better suit the practical situation and development needs of the Company.

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## LETTER FROM THE BOARD

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### 6. IMPLICATIONS UNDER THE LISTING RULES

As mentioned above, CEC is the de facto controller of the Company and the controlling shareholder of NEIIC, NEIIC is the controlling shareholder of PEGL, the controlling shareholder of the Company and CEC Finance is a subsidiary of CEC. CEC, NEIIC, CEC Finance and their respective associates therefore constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the relevant CCT Framework Agreements constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the fund settlement service transactions contemplated under the Financial Services Agreement exceeds 5%, and the applicable percentage ratios for transactions contemplated under the Sale Agreement exceed 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the fund settlement service transactions contemplated under the Financial Services Agreement exceeds 5% but below 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

Given that Mr. Xia Dechuan, Mr. Hu Jin and Mr. Lv Song all hold positions in NEIIC, the controlling Shareholder of PEGL, Mr. Liu Jianfeng holds position in Nanjing Panda Handa Technology Co., Ltd.\* (南京漢達科技有限公司) and China Electronics Defense Technology Co., Ltd.\* (中電防務科技有限公司), each being a subsidiary of NEIIC, they have abstained from voting on the resolutions regarding the transactions contemplated under the CCT Framework Agreements at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolutions, no other Directors have any material interest in the renewed continuing connected transactions and the adjusted Annual Caps and therefore no other Directors have abstained from voting on such resolutions of the Board.



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## LETTER FROM THE BOARD

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### 7. INFORMATION ON THE PARTIES

The Group takes smart manufacturing, smart city and electronic manufacturing services as main businesses, and focuses on the development of smart manufacturing core equipment and smart factory system integration businesses; the development of the four core smart city businesses, namely, smart transportation, safe city, smart building and information network equipment; and the development of electronic manufacturing services business which has first rate supply chain management capabilities and is capable of realizing smart, flexible, and lean manufacturing. The ultimate beneficial owner of the Company is CEC.

The CEC Group is engaged in the operations including R&D, manufacture, trade, logistics and services of electronic information technologies and products, and provision of self-innovated electronic information technologies, products and services, making great contributions to the construction of national economic informationisation and guaranteeing the security of national information. The ultimate beneficial owner of CEC is the State-owned Assets Supervision and Administration Commission of the State Council\*(國務院國有資產監督管理委員會).

CEC Finance is a subsidiary of CEC. CEC Finance is held as to 57.64% by CEC, 23.60% by NEIIC (owned as to 79.24% by China Electronics Co., Ltd. which is in turn owned as to 81.66% by CEC), 5.36% by Wuhan Zhongyuan Electronics Group Co., Ltd.\*(武漢中原電子集團有限公司), 4.68% by China Electronics Import and Export Co., Ltd.\*(中國電子進出口有限公司), 3.96% by China Zhenhua Electronics Group Co., Ltd.\*(中國振華電子集團有限公司), 2.12% by China Zhenhua (Group) Science & Technology Co., Ltd.\*(中國振華(集團)科技股份有限公司), 2.00% by China Electronics Smart Card Co., Ltd.\*(中電智能卡有限責任公司) and 0.64% by China Zhongdian International Information Services Co., Ltd.\*(中國中電國際信息服務有限公司). CEC Finance's business scopes are as follows: providing consultancy and agency service to intra-group members in relation to financial and financing consultancy, credit verification and related services; assisting intragroup members in realizing receipt and payment of transaction amount; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting internal transfer settlement between intra-group member and designing of corresponding settlement and liquidation plan; absorbing deposits from intra- group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval, underwriting corporate bonds of intra-group members, and investment in negotiable securities, with investment range limited to government bonds in the interbank market, central bank bills, financial bonds, short-term financing bonds, corporate bonds, money market funds, and purchase of new shares.

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## LETTER FROM THE BOARD

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The predecessor of CEC Finance is China Information Trust Investment Corporation, which was approved by the People's Bank of China on 15 March 1988 and registered with the State Administration for Industry and Commerce on 21 April 1988. China Information Trust Investment Corporation was a national non-banking financial institution under the direct governance of the Ministry of Electronics Industry with its business operations subject to the leadership, administration, supervision, coordination and audit by the People's Bank of China and the State Administration of Foreign Exchange.

On 6 November 2000, China Information Trust Investment Corporation was reorganized into China Electronics Financial Co., Ltd. and was transformed from a non-banking financial institution rendering financial services to the public to a financial institution pursuing economic benefits for and providing financing services to the members of the CEC Group. It was officially put into operation in 2001 under a financial institution license (金融機構法人許可證) with the license number of L0014H211000001.

### III. THE EGM

The EGM will be held on Friday, 27 December 2024 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China.

A notice setting out the resolutions to be resolved at the EGM is set out on pages EGM-1 to EGM-2 of this circular.

The register of members relating to H-shares of the Company will be closed from 20 December 2024 to 27 December 2024, both days inclusive, during which period no transfer of H-shares of the Company will be registered. In order to attend the EGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H shares) or the office of the Company (in case of holders of A shares), no later than 4:30 p.m. on 19 December 2024.

Pursuant to the Listing Rules, CEC, NEIC and its associates (holding and being entitled to exercise control over the voting right in respect of 232,782,055 A shares and 41,182,000 H shares in the Company, being 273,964,055 shares in aggregate, representing approximately 29.98% of the total issued shares of the Company as at the Latest Practicable Date) will abstain voting in respect of the resolutions approving the renewed continuing connected transactions under the CCT Framework Agreements and the adjusted Annual Caps.

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## LETTER FROM THE BOARD

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### IV. PROXY ARRANGEMENT

The Proxy Form for use at the EGM has been despatched to the Shareholders. Whether or not you intend to attend the EGM, you are requested to complete the Proxy Form in accordance with the instructions printed thereon and return the same to the office of the Company as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

### V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. The results of the poll will be published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.panda.cn](http://www.panda.cn) after the EGM as soon as possible.

### VI. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the renewed continuing connected transactions under the CCT Framework Agreements and the revised Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The text of the letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. The text of the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 49 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

### VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of EGM.

By order of the Board  
**Nanjing Panda Electronics Company Limited**  
**Xia Dechuan**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.*

**南京熊猫电子股份有限公司**  
**NANJING PANDA ELECTRONICS COMPANY LIMITED**

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

(Stock Code: 00553)

11 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS AND  
DISCLOSEABLE TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise you, in accordance with the requirements of Rule 14A.40 of the Hong Kong Listing Rules, in connection with the Sale Agreement and the Financial Services Agreement (fund settlement service), the transactions contemplated thereunder and the proposed Annual Caps, details of which are set out in the Letter from the Board contained in the circular issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

Having considered the terms of the Sale Agreement and the Financial Services Agreement (fund settlement service) and the advice of Gram Capital and the principal factors and reasons taken into consideration by it in arriving at its advice as set out on pages 32 to 49 of the Circular, we are of the view that the Sale Agreement and the Financial Services Agreement (fund settlement service) were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of the Sale Agreement and the Financial Services Agreement (fund settlement service) and their respective Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Mr. Dai Keqin Ms. Xiong Yanren Mr. Chu Wai Tsun, Baggio**

*Independent Non-executive Directors*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale Transactions and the Fund Settlement Services for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

11 December 2024

*To: The independent board committee and the independent shareholders of  
Nanjing Panda Electronics Company Limited*

Dear Sir/Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) transactions contemplated under the Sale Agreement (the “**Sale Transactions**”); and (ii) fund settlement service transactions contemplated under the Financial Services Agreement (the “**Fund Settlement Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 December 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 22 November 2024, the Company entered into, among other things, (i) the Sale Agreement with CEC, pursuant to which, the Group will conditionally sell certain products to the CEC Group from 1 January 2025 to 31 December 2027; and (ii) the Financial Services Agreement with CEC Finance, pursuant to which, among other things, CEC Finance will provide fund settlement service to the Group.

With reference to the Board Letter, the Sale Transactions and the Fund Settlement Services constitute non-exempted continuing connected transactions and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Fund Settlement Services also constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Sale Transactions and the Fund Settlement Services are on normal commercial terms and are fair and reasonable; (ii) whether the Sale Transactions and the Fund Settlement Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Sale Transactions and the Fund Settlement Services at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

Having considered the above and that none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Sale Agreement and the Financial Services Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CEC, CEC Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Sale Agreement and Financial Services Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Sale Transactions and the Fund Settlement Services, we have taken into consideration the following principal factors and reasons:

#### **Information on the Group**

With reference to the Board Letter, the Group takes smart manufacturing, smart city and electronic manufacturing services as main businesses, and focuses on the development of smart manufacturing core equipment and smart factory system integration businesses; the development of the four core smart city businesses, namely, smart transportation, safe city, smart building and information network equipment; and the development of electronic manufacturing services business which has first rate supply chain management capabilities and is capable of realizing smart, flexible, and lean manufacturing. The ultimate beneficial owner of the Company is CEC.



## LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2023 and the six months ended 30 June 2024 (with comparative figures) as extracted from the Company’s annual report for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the Company’s interim report for the six months ended 30 June 2024 (the “**2024 Interim Report**”):

	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Year-on-year change	For the year ended 31 December 2023	For the year ended 31 December 2022	Year-on-year change
	<i>RMB</i> (unaudited)	<i>RMB</i> (unaudited)	%	<i>RMB</i> (audited)	<i>RMB</i> (audited)	%
Revenue	1,250,346,512.09	1,362,865,645.74	(8.26)	2,912,311,480.01	4,154,295,003.26	(29.90)
Operating profit/(loss)	(36,871,564.56)	44,882.36	N/A	(178,252,062.05)	99,333,721.63	N/A
Net profit/(loss) attributable to the equity shareholders of the parent company	<u>(68,198,110.51)</u>	<u>(27,340,386.93)</u>	<u>149.44</u>	<u>(237,862,230.10)</u>	<u>39,873,197.73</u>	<u>N/A</u>

As illustrated in the above table, the Group’s revenue decreased from approximately RMB4.15 billion for the year ended 31 December 2022 (“**FY2022**”) to approximately RMB2.91 billion for the year ended 31 December 2023 (“**FY2023**”), representing a year-on-year decrease of approximately 29.90%. With reference to the 2023 Annual Report, such decrease was mainly due to the adjustments of some product structure, which fell short of market expectations, the adjustment of some business delivery cycle, which fell short of settlement requirements, and the changes of some business models. In addition, for FY2023, the Group recorded operating loss and net loss attributable to the equity shareholders of the parent company of approximately RMB178.25 million and RMB237.86 million respectively, while the Group recorded operating profit and net profit attributable to the equity shareholders of the parent company of approximately RMB99.33 million and RMB39.87 million respectively for FY2022. With reference to the 2023 Annual Report, such turnarounds were principally attributable to (i) the aforesaid decrease in the revenue for FY2023 as compared to that for FY2022; and (ii) the increase in assets impairment losses for FY2023 as compared to that for FY2022, which was mainly due to the provision for impairment of long-term equity investments for FY2023.

As illustrated in the above table, the Group’s revenue decreased from approximately RMB1.36 billion for the six months ended 30 June 2023 (“**1H2023**”) to approximately RMB1.25 billion for the six months ended 30 June 2024 (“**1H2024**”), representing a year-on-year decrease of approximately 8.26%. With reference to the 2024 Interim Report, such decrease was mainly due to the fierce competition for existing customers in the market of liquid crystal display (“**LCD**”) display panels segment of the green and service-oriented electronic manufacturing business. Moreover, the Group recorded operating profit for 1H2023 while recorded operating loss for 1H2024, and the Group’s net loss attributable to the equity shareholders of the parent company for 1H2024 increased significantly as compared to that for 1H2023. With reference to the 2024 Interim Report, such deterioration was mainly attributable to (i) the aforesaid decrease in the

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## LETTER FROM GRAM CAPITAL

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revenue for 1H2024 as compared to that for 1H2023; and (ii) the increase in research and development (“R&D”) expenses for 1H2024 as compared to that for 1H2023, which was mainly due to the increase in labor costs and entrusted R&D costs.

With reference to the 2024 Interim Report, the Company progressively promotes the transformation and industrialization of scientific and technological achievements, and promotes scientific and technological innovations with high technical value to expand beyond the laboratory into the market, enriching the range of products and business categories, and enhancing the core competitiveness of the Company.

### A. THE SALE TRANSACTIONS

#### Information on CEC Group

With reference to the Board Letter, the CEC Group is engaged in the operations including R&D, manufacture, trade, logistics and services of electronic information technologies and products, and provision of self-innovated electronic information technologies, products and services, making great contributions to the construction of national economic informationisation and guaranteeing the security of national information. The ultimate beneficial owner of CEC is the State-owned Assets Supervision and Administration Commission of the State Council\* (國務院國有資產監督管理委員會).

#### Reasons for the Sale Transactions

With reference to the Board Letter, the Board is of the opinion that as the Group started business relationship with the PEGL Group since the listing of the Company in 1996, the services mutually provided between the CEC Group and/or PEGL Group and the Group have reached satisfactory results and provided overall business and operational convenience to the Group. The Group has been maintaining business relationship with CEC Group prior to the change in de-facto controller of the Company in 2012 and such businesses became connected transactions after the change in de-facto controller of the Company. In recent years, CEC Group and the Group have been satisfying their needs through mutual provision of services and the purchase and sale businesses have been developing steadily.

As the Sale Transactions are revenue in nature, it is expected that, among other things, the Sale Transactions will provide a stable source of income to the Group.

Pursuant to the Sale Agreement, the Group is entitled to charge the CEC Group a reasonable price for the products it sells based on the fair dealing principle, and the CEC Group shall undertake the corresponding payment obligations. The price for sale of materials, components and parts sold by the Group to the CEC Group shall be determined after arm’s length negotiation between the

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parties based on the relevant pricing policy and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the Group shall be no less than those charged to an independent third party at the same period of time for the same or similar products.

In view of the above reasons for the Sale Transactions, in particular (i) the long-term cooperation between the Group and CEC Group; (ii) the pricing policy under the Sale Agreement and the Sale Transactions are revenue in nature, we concur with the Directors that the Sale Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### **Principal terms of the Sale Transactions**

Set out below are the key terms of the Sale Transactions, details of which are set out under the sub-section headed “(A) Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group” of the section headed “3. Particulars of renewal of the continuing connected transactions” of the Board Letter.

**Date:** 22 November 2024

**Term:** From 1 January 2025 to 31 December 2027

**Parties:** (i) The Company  
(ii) CEC

**Nature of transaction:** The products sold by the Group to the CEC Group (the “**Products**”) include: LCD panel production line system and its related system, equipment and consumables, production line system automation transformation and its related system and equipment, printed circuit board assembly, communication products, power supply products, tablets, capacitors and other electronic products and devices, and software and other information-based office products.

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### **Pricing policy:**

The Group is entitled to charge the CEC Group a reasonable price for the products it sells based on the fair dealing principle, and the CEC Group shall undertake the corresponding payment obligations. The price for sale of materials, components and parts sold by the Group to the CEC Group shall be determined after arm's length negotiation between the parties based on the relevant pricing policy (as disclosed below) and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the Group shall be no less than those charged to an independent third party at the same period of time for the same or similar products.

The selling prices of products such as raw materials, components and parts sold by the Group to the CEC Group will be determined on a fair and equitable basis with reference to the market prices or agreement prices or using the cost-plus pricing approach.

Details of pricing policies under Sale Transactions are set out under sub-section headed "(A) Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group – 8. Pricing basis and terms of payment" of section headed "3. Particulars of renewal of the continuing connected transactions" of the Board Letter.

With reference to Rule 14A.56 of the Hong Kong Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group. With reference to the Company's annual reports for FY2022 and FY2023, among other things, the auditors of the Company have issued the letter containing the work result in respect of the continuing connected transactions (including the Sale Transactions) in accordance with Rule 14A.56 of the Hong Kong Listing Rules, a copy of which has been provided to the Stock Exchange.

According to the Board Letter, the selling price of the goods and services charges are determined based on relevant price lists (the "**Price Lists**") compiled respectively by the sales department and the marketing department of the Company or its subsidiaries and reviewed by the heads of such departments. The Price Lists are mark-to-market, updated every month and applicable to transactions with both the connected persons and the independent third parties.

The Directors advised us that the Price Lists for Sale Transactions were prepared/updated in accordance with (i) market price; (ii) agreement price; or (iii) cost-plus price.

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## LETTER FROM GRAM CAPITAL

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### ***Market price and agreement price***

As advised by the Directors, market price basis will be applied to the preparation of price lists (the “**Market Price Lists**”) for provision of raw materials, components and parts under the Sale Transactions. The Company will obtain market information from different sources, including pricing information as set out in Made-in-China.com.

We noted from the website of Made-in-China.com that Made-in-China.com was developed by, and is operated by Focus Technology Co., Ltd. (Stock code: SZ002315, “**Focus Technology**”), being a company listed on the Shenzhen Stock Exchange. Focus Technology is a pioneer and leader in the field of electronic business in the PRC. We also noted from annual report of Focus Technology for FY2023 that Made-in-China.com (English site) has approximately 24,586 premium members as at 31 December 2023.

Having considered that the applicable price from the aforesaid sources reflect available price in the open market, we consider that by using the Market Price Lists in determining the selling prices is acceptable.

The Group adopts the agreement price in the absence of market price. Such pricing basis is adopted for provision of raw materials, components and parts under the Sale Transactions.

As the agreement price will include (i) increases in costs if there is historical market price for similar products sold by the Group; or (ii) import cost to be incurred by the Group and a certain amount of profit, and having also considered that the agreement price will be applied to all customers regardless of whether the customer is a connected person or an independent third party, we are of the view that the basis for determination of agreement price is acceptable.

### ***Cost-plus price basis***

Cost-plus price basis will be applied to the preparation of price lists (the “**Cost Price Lists**”) for non-standard products under the Sale Transactions.

As advised by the Directors, total costs of products will be calculated by officers of the marketing department. The gross profit margin will range from 13% to 17%, which will be not less than the weighted average gross profit margin of the same or similar products of the Group.

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## LETTER FROM GRAM CAPITAL

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The Board is of the view that the gross profit margin range (i.e. 13% to 17%) can ensure that the above transactions are conducted on normal commercial terms and on terms no less favourable to the Group than those offered by the Group to independent third party customers, as (i) the products to which such gross profit margin applied are non-standardized products (i.e. customers to provide specifications and parameters for various products according to their own needs); and (ii) in the process of determining such gross profit margin, the Group compared such gross profit margin with the gross profit margin of similar products sold to independent third party customers in the past to ensure that such gross profit margin are no less favourable than those for similar products sold to other independent customers by the Group in the past.

To further assess the fairness and reasonableness of the aforesaid range (i.e. 13% to 17%), we requested the Directors to provide us a list of individual sales of non-standard products to independent third parties with following criteria: (i) such contracts were entered into between 2022 and 2024; (ii) the Group recognised revenue and cost for such transactions; and (iii) the non-standard products were involved in the existing Sale Transactions and of similar types of non-standard products to connected persons. Upon our request, the Directors provided us the list and confirmed that the list contained key information of all transactions which met aforesaid criteria. We noted that (i) the Group recorded average gross profit margin of approximately 15.82% for contracts entered into in 2022, 2023 and 2024 (first nine months), with average gross loss for all the individual contracts. Accordingly, we consider the gross profit margins of individual sale of non-standard products to connected persons (13% to 17%) to be justifiable. Accordingly, we are of the view that by using the cost plus price in determining the Cost Price Lists is acceptable.

### ***Internal control measures***

With reference to the Board Letter, in order to protect the interests of the Company and the Shareholders as a whole, the Company has adopted the certain guidelines and internal control mechanism (the “**Internal Control Mechanism**”) to monitor all the continuing connected transactions between the Group and CEC Group, details of which are set out under the section headed “4. Internal control measures for the continuing connected transactions” of the Board Letter.

Taking into account (i) the Price Lists; (ii) that separate authorities of the Company, including (a) legal department to ensure the legality of the individual sale agreements and the compliance for each of the transactions, and (b) financial department to ensure the pricing policies have been complied with; and (iii) the frequency of the Price Lists update and the respective review conducted by separate authorities of the Company, we consider that the effective implementation of the internal control measure would help to ensure fair pricing of the transactions contemplated under the Sale Transactions according to its pricing basis.

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## LETTER FROM GRAM CAPITAL

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For our due diligence purpose, we obtained a summary list of the Sale Transactions for the two years ended 31 December 2023 and the nine months ended 30 September 2024 and randomly selected two individual transactions pursuant to the existing Sale Transactions for each period (six individual transactions in total) (the “**Selected Sale Transactions**”) from the list. Upon our request, the Company provided us with the executed agreements for the Selected Sale Transactions, together with relevant supporting documents including agreements entered into between the Company and independent third parties for same products at the same period of time or corresponding cost breakdown or market prices of similar products offered by other PRC enterprises in the same industry (the “**Supporting Documents**”).

After reviewing the Supporting Documents and as further advised by the Directors in respect of adopted pricing policy for each Selected Sale Transactions, we understood/noted that (i) the Selected Sale Transactions covers all types of pricing approaches which applicable to the Sale Transactions; (ii) for individual transactions with pricing approach of market prices basis, the price of which was the same level with the relevant market price of similar products as offered by other PRC enterprises in the same industry; (iii) for individual transactions with pricing approach of agreement prices basis, the price of which was the same with the price of the same products charged by the Group to an independent third party for the same period; (iv) for individual transactions with pricing approach of cost-plus pricing basis, the gross profit margin of which were within the range from 13% to 17%. Having considered that the sampling (i) was conducted based on random selection basis; (ii) covered all the pricing approaches applicable to the Sale Transactions; and (iii) covered the period for the two years ended 31 December 2023 and the nine months ended 30 September 2024, we are of the view that the Selected Sale Transactions are adequate and representative for our analysis from an independent financial adviser’s perspective.

We also noted that the Company’s financial department shall review on amounts of Sale Transactions every three months. As the frequency of review amounts of Sale Transactions is in line with the frequency of the Company’s publication of financial reports, we consider the review frequency is appropriate.

Having considered (i) our analyses as mentioned above; and (ii) the auditors’ confirmation, we do not doubt the effectiveness of the implementation of the internal procedures for the Sale Transactions.

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## LETTER FROM GRAM CAPITAL

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### The annual caps

Set out below are (i) the historical transaction amounts of the Sale Transactions for the two years ended 31 December 2023 and the nine months ended 30 September 2024 with existing caps; and (ii) the proposed annual caps for the three years ending 31 December 2027:

	<b>For the year ended 31 December 2022 (RMB'000)</b>	<b>For the year ended 31 December 2023 (RMB'000)</b>	<b>For the year ending 31 December 2024 (RMB'000)</b>
Historical transaction amounts	356,270	222,640	108,230( <i>Note</i> )
Existing annual caps	650,000	650,000	650,000
Utilisation rate	55%	34%	N/A
	<b>For the year ending 31 December 2025 (RMB'000)</b>	<b>For the year ending 31 December 2026 (RMB'000)</b>	<b>For the year ending 31 December 2027 (RMB'000)</b>
Proposed annual caps	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

*Note:* the figure was for the nine months ended 30 September 2024.

With reference to the Board Letter, the proposed annual caps for the three years ending 31 December 2027 were determined after taking into account of certain factors, which are set out under the sub-section headed “(A) Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group – 10. Proposed Annual Cap” under the section headed “3. Particulars of renewal of the continuing connected transactions” of the Board Letter.

According to the above table, we noted that the relevant utilisation rates of the existing annual caps were approximately 55% and 34% for FY2022 and FY2023 respectively. Given the utilisation rate is not at high level, the Company reduced the proposed annual caps (the “**Sale Caps**”) for the three years ending 31 December 2027.

To assess the fairness and reasonableness of the Sale Caps, we obtained a detailed calculation of the same. We understood from the Directors that the calculation includes estimated transactions of operating subsidiaries of the Company. The calculation was formulated and approved by the relevant operating subsidiaries before submitting to the Company for consolidation and review



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and were formulated based on the business needs of the CEC Group based on understanding of the relevant operating subsidiaries. We noted from the calculation that the Sale Caps were formulated based on the estimated transaction amounts and a buffer of approximately 8%.

Based on our understanding, the estimated transaction amounts for the three years ending 31 December 2027 indicate the maximum demand of products pursuant to the Sale Agreement. The estimated transactions of relevant operating subsidiaries were made with reference to the historical transaction amounts under the existing sale agreement with CEC. Upon our further request, we obtained relevant amounts and noted that the Sale Caps for the three years ending 31 December 2027 were not deviated from (with difference of less than 10%) the summation of maximum annual historical transaction amounts with each relevant member of CEC Group by each operating subsidiaries during the term of existing sale agreement.

As further advised by the Directors, the buffer of approximately 8% was set to accommodate any unexpected increase in the demands of the Products and/or unexpected increase in the cost of supply of the Products during FY2025 to FY2027.

To assess the fairness and reasonableness of the buffer of approximately 8%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 November 2024 to 22 November 2024 (being the date on which the announcement in relation to the Sale Transactions published). We noted that, out of the 13 circulars published by other Hong Kong listed companies incorporated buffer in their proposed annual caps regarding continuing connected transactions, 8 of which incorporated buffer ranging from 5% to 10% in their proposed annual caps regarding continuing connected transactions and explicitly disclosed in such circulars.

Having considered that (A) (i) the unexpected circumstances may take place during FY2025 to FY2027; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the estimated amounts of the Sale Transactions for FY2025 to FY2027 (which were estimated based on various assumptions, in particular historical transaction amounts); and (B) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 5% to 10% in the proposed annual caps are common among companies listed on the Stock Exchange and the buffers of approximately 8% were less than the commonly adopted buffer of 10%, we consider that the buffer to be acceptable.

In light of the above factors, we consider that the Sale Caps for the three years ending 31 December 2027 to be fair and reasonable.

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Shareholders should note that as the Sale Caps under Sale Transactions are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue/income to be incurred from the Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue/income to be recorded under the Sale Transactions will correspond with the Sale Caps.

In light of the above factors, we are of the view that terms of the Sale Transactions are on normal commercial terms and are fair and reasonable.

### B. THE FUND SETTLEMENT SERVICES

#### Information on the CEC Finance

With reference to the Board Letter, CEC Finance's business scopes are as follows: providing consultancy and agency service to intra-group members in relation to financial and financing consultancy, credit verification and related services; assisting intragroup members in realizing receipt and payment of transaction amount; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting internal transfer settlement between intra-group member and designing of corresponding settlement and liquidation plan; absorbing deposits from intra- group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval, underwriting corporate bonds of intra-group members, and investment in negotiable securities, with investment range limited to government bonds in the interbank market, central bank bills, financial bonds, short-term financing bonds, corporate bonds, money market funds, and purchase of new shares.

CEC Finance is a subsidiary of CEC, being the de facto controller of the Company. As such, CEC Finance is a connected person of the Company.

As further advised by the Directors, CEC Finance is required to operate in compliance with the Administrative Measures for the Group Finance Companies\* (《企業集團財務公司管理辦法》, the “**Administrative Measures**”) promulgated by China Banking and Insurance Regulatory Commission\* (中國銀行保險監督管理委員會), which was replaced by National Financial Regulatory Administration (“**NFRA**”) in May 2023. Pursuant to the Administrative Measures, it regulates the operation of non-banking financial institutions which provide financial management services to the enterprise group member entities. The Administrative Measures set out certain compliance and risk control requirement/measures in relation to the operation of group finance companies, including but not limited to maintaining certain financial ratios at all times. Further, the parent group company and controlling shareholder(s) of group finance company shall supplement such group finance company's capital when necessary.

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## LETTER FROM GRAM CAPITAL

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Based on our discussion with CEC Finance, we understood that NFRA monitors CEC Finance's operations and compliance with relevant laws and regulations, through on-site examinations and off-site surveillance, from time to time. The NFRA may impose corrective and punitive measures, including fines and ordering the suspension of certain business activities. According to CEC Finance, the NFRA has not taken any disciplinary actions, or imposed any penalties or fines on CEC Finance for the two years ended 31 December 2023.

### **Reasons for and benefit of the Fund Settlement Services**

With reference to the Board Letter, prior to the renewal of fund settlement services under the Financial Services Agreement, CEC Finance has been providing relevant financial services to the Group. In light of the better and convenient services of CEC Finance, provision of the most favourable interest rates for deposits to the extent it is allowed by the relevant policies and regulations, exemption from handling fees for fund settlement between the Company and its subsidiaries, the Company intends to renew the Financial Services Agreement (fund settlement service) to obtain the most favourable financing costs and achieve the best economic efficiency.

Pursuant to the Financial Services Agreement, among other things, for fund settlement services, the interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period. The interest rate for the Group's deposit offered by CEC Finance will be independently verified by the finance department of the Company by comparing the rates and terms offered by at least four major commercial banks in the PRC. CEC Finance will not charge the Group for any other services within this category.

As confirmed by the Directors, the Group will utilize the financial services of CEC Finance on a voluntary and non-compulsory basis and is not obliged to engage the CEC Finance for any particular service.

In light of the above reasons, in particular, (i) the pricing policy of the Fund Settlement Services; and (ii) the Group will utilize the financial services of the CEC Finance on a voluntary and non-compulsory basis and is not obliged to engage CEC Finance for any particular service, we consider the Fund Settlement Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

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## LETTER FROM GRAM CAPITAL

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### Principal terms of the Fund Settlement Services

Set out below is the summary of Fund Settlement Services, details of which are set out under section headed “(B) Financial Services Agreement (fund settlement service)” of the Board Letter.

<b>Date:</b>	22 November 2024
<b>Parties:</b>	(1) the Company  (2) CEC Finance
<b>Term of the agreement:</b>	From 28 December 2024 to 27 December 2027, subject to approval of the Independent Shareholders at the EGM
<b>Pricing policy for Fund Settlement Services:</b>	The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period.

As advised by the Directors, before placing the deposits to CEC Finance, the finance department of the Group will make enquiries to commercial banks to obtain up-to-date information of the interest rates on deposit. Having considered that the deposits will only be placed to CEC Finance if the interest rate offered by CEC Finance is not lower than those offered by commercial banks and finance department will closely monitor the said interest rate, we consider that there are adequate measures in place to ensure the determination of the deposit rate would be no less favourable than that offered by other commercial banks in the PRC to the Group.

For our due diligence purpose, we obtained a list of deposit balances regarding the deposits placed by the Group with CEC Finance (the “**Deposit Balances**”) for the two years ended 31 December 2023 and the nine months ended 30 September 2024 from the Company. We randomly selected two Deposit Balances from the list for each of the period (six Deposit Balances in total) and the Company provided us with deposit records of each selected Deposit Balances, together with the same type of deposit placed by the Group with domestic commercial banks for the corresponding period. After reviewing the aforesaid documents, we noted that the interest rates offered by CEC Finance were not lower than those offered by domestic commercial banks for the same period. Having considered that the sampling was conducted based on random selection basis and covered the period for the two years ended 31 December 2023 and the nine months ended 30 September 2024, we are of the view that the selected Deposit Balances are adequate and representative for our analysis from an independent financial adviser’s perspective.

Details of the aforesaid pricing basis and internal control mechanism are set out in the section headed “4. Internal control measures for the continuing connected transactions” of the Board Letter.

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The Company's financial department shall review the deposit balance of the Group on a daily basis and staff of CEC Finance will also report the aforesaid amount to staff of the Company's financial department on a daily basis. We consider the review frequency is appropriate to govern daily maximum deposit balance.

Having considered our findings as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Fund Settlement Services.

### **The historical amounts and the proposed annual caps**

Pursuant to the Financial Services Agreement, the maximum daily deposit balance of the Group with CEC Finance is RMB700,000,000 during the three years from 28 December 2024 to 27 December 2027 upon the approval of the Independent Shareholders at the EGM (the "Deposit Caps").

Set out below are the historical maximum daily deposit balance (including any interest accrued thereon) for the two years ended 31 December 2023 and nine months ended 30 September 2024 with existing annual caps:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the nine months ended 30 September 2024</b>
<b>Historical transaction amounts</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Fund settlement service balance	497,890	494,050	396,180
Maximum daily deposit balance	500,000	500,000	500,000
Utilisation rate	99.6%	98.8%	79.2%

With reference to the Board Letter, the Deposit Caps were determined after taking into account of certain factors, which are set out under the sub-section headed "(B) Financial Services Agreement (fund settlement service) – 10. Proposed Annual Cap" under the section headed "3. Particulars of renewal of the continuing connected transactions" of the Board Letter.

According to the above table, we noted that the existing deposit caps for FY2022 and FY2023 of the Fund Settlement Services were almost fully utilised.

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In addition, we noted from the Company's quarterly report for the nine months ended 30 September 2024 that as at 30 September 2024, the Group's (i) cash and cash equivalents amounted to approximately RMB683 million; (ii) accounts receivables amounted to approximately RMB1,195 million. The summation of aforesaid two items (the "**Summation**") amounted to RMB1,878 million. The Summation (which is larger than the Deposit Caps) indicates the Group's possible demand of Fund Settlement Services to be provided by commercial banks and CEC Finance. It is also worth to mention that the Deposit Caps of RMB700 million is close to the latest publicly available cash and cash equivalents of RMB683 million.

The Directors further advised us that it is difficult to forecast the Group's total cash level during the three years from 28 December 2024 to 27 December 2027 upon the approval of the Independent Shareholders at the EGM. Nevertheless, should there be any substantial increase in total cash of the Group, the Company may opt to larger deposit portion of cash in commercial banks or re-comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction to revise the Deposit Caps.

Having considered the above, we consider that the Deposit Caps to be fair and reasonable.

In light of the above, we are of the view that the terms of the Fund Settlement Services are on normal commercial terms and are fair and reasonable.

### **Hong Kong Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the Sale Transactions and the maximum values of the Fund Settlement Services must be restricted by Sale Caps and the Deposit Caps for the period concerned under the Sale Agreement and the Financial Services Agreement respectively; (ii) the terms of the Sale Transactions and the Fund Settlement Services must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Sale Transactions and Fund Settlement Services must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that Sale Transactions and/or the Fund Settlement Services (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

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In the event that the amounts of the Sale Transactions/the maximum amounts of the Fund Settlement Services are anticipated to exceed the Sale Caps/Deposit Caps, or that there is any proposed material amendment to the terms of the Sale Transactions/the Fund Settlement Services, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Sale Transactions and the Fund Settlement Services are on normal commercial terms and are fair and reasonable; and (ii) the Sale Transactions and the Fund Settlement Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale Transactions and the Fund Settlement Services and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.*

\* *For identification purpose only*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(A) Interests of Directors**

As at the Latest Practicable Date, none of the Directors, supervisors or the chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix C3 of the Hong Kong Listing Rules). No share options were granted to any of them as incentives. None of the Directors or supervisors or their respective spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.



**(B) Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as the Directors, Supervisors and senior management staff of the Company were aware, and having made all reasonable enquiries, interests or short positions in shares and underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and senior management staff of the Company) which were required to be recorded in the register pursuant to section 336 of the SFO of the Hong Kong Stock Exchange were as follows: (1) PEGL held 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIIC held 22,210,611 domestic shares, accounting for approximately 3.29% of domestic shares in issue and approximately 2.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69% of H shares in issue and approximately 1.51% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. NEIIC held 100% equity interests in PEGL and in total held 246,550,055 shares in the Company which was held in the capacity of controlled corporation and beneficial owner, accounting for approximately 26.98% of the total shares in issue. (3) CEIEC (H.K.) Limited held 27,414,000 H shares, accounting for approximately 11.33% of H shares in issue and approximately 3.00% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) CEC held 79.24% equity interests in NEIIC and 100% equity interests in CEIEC (H.K.) Limited. NEIIC held 100% equity interests in PEGL, and CEC held 273,964,055 shares in the Company in total which was held in the capacity of controlled corporation, accounting for approximately 29.98% of the total shares in issue. (5) China State Shipbuilding Corporation held 16,998,000 H shares, accounting for approximately 7.02% of H shares in issue and approximately 1.86% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors of the Company held offices as Directors or employees in NEIIC, the controlling shareholder of PEG, and its subsidiaries as shown below:

<b>Name of Director/Supervisor</b>	<b>Position held in NEIIC or its subsidiaries</b>
Xia Dechuan	Deputy General Manager of NEIIC
Hu Jin	Assistant to General Manager, Director of Planning and Technology Department and Director of Reform Office of NEIIC
Liu Jianfeng	Executive Director and Secretary of the Party Committee of Nanjing Panda Handa Technology Co., Ltd.* (南京漢達科技有限公司)  Deputy General Manager of CEC Defense Technology Co., Ltd.* (中電防務科技有限公司)

<b>Name of Director/Supervisor</b>	<b>Position held in NEIIC or its subsidiaries</b>
Lv Song	Director of Administration and Legal Affairs Department of NEIIC  Deputy Director of Legal Affairs Department of NEIIC  Secretary to the Board of Director of NEIIC
Fan Laiying	Chief Accountant of NEIIC
Fu Yuanyuan	Chief Auditor of the Audit Department of NEIIC

Save as disclosed above, none of the Directors and supervisors of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far was known to the Directors, none of the Directors or their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Hong Kong Listing Rules.

**5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

The Board confirms that as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up), none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up).

**7. EXPERT AND CONSENT**

The following is the qualification of the expert (the “**Expert**”) who have been named in this circular or have given opinion or advice in this circular:

<b>Name</b>	<b>Qualifications</b>
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group nor did they have any direct or indirect interests in any assets which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, the Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statements and references to its names in the form and context in which they respectively appear herein. The letter from Gram Capital, the text of which is set out in this circular, was made by Gram Capital for incorporation in this circular.

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange and the Company for a period of 14 days from the date of this circular:

- (a) Sale Agreement; and
- (b) Financial Services Agreement.

**9. GENERAL**

- (a) The registered office of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.
- (b) The principal place of business of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.
- (c) The company secretary of the Company is Mr. Wang Dongdong, who is the Secretary to the Board.

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## NOTICE OF THE EGM

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**南京熊猫电子股份有限公司**  
**NANJING PANDA ELECTRONICS COMPANY LIMITED**  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 00553)

### NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2024 second extraordinary general meeting (the “**EGM**”) of Nanjing Panda Electronics Company Limited (the “**Company**”) will be held at the Conference Room, 7 Jingtian Road, Nanjing, the People’s Republic of China (the “**PRC**”) on Friday, 27 December 2024 at 2:30 p.m. to consider and, if thought fit, pass the following resolutions. Please refer to the circular of the Company dated 11 December 2024 for details of the resolutions. Unless the context otherwise requires, capitalized terms used in this notice shall have the same meanings as those defined in the circular.

#### ORDINARY RESOLUTIONS

1. “**THAT** the Sale Agreement (as defined in the announcement of the Company dated 22 November 2024), and the proposed annual caps of the transactions thereunder be and are hereby approved, and the Board is hereby authorized to take all steps necessary or expedient in its opinion to implement and/or give effect to the Sale Agreement;” and
2. “**THAT** the Financial Services Agreement (fund settlement service) (as defined in the announcement of the Company dated 22 November 2024), and the proposed annual caps of the transactions thereunder be and are hereby approved, and the Board is hereby authorized to take all steps necessary or expedient in its opinion to implement and/or give effect to the Financial Services Agreement (fund settlement service).”

By Order of the Board  
**Nanjing Panda Electronics Company Limited**  
**Xia Dechuan**  
*Chairman*

Nanjing, the People’s Republic of China  
11 December 2024

*As at the date of this notice, the Board comprises Executive Directors: Mr. Xia Dechuan and Mr. Hu Huichun; Non-executive Directors: Mr. Liu Jianfeng, Mr. Hu Jin, Mr. Yi Guofu and Mr. Lv Song; and Independent Non-executive Directors: Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio.*

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## NOTICE OF THE EGM

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*Notes:*

1. All holders of H shares of the Company should pay attention that the register of members of the Company will be closed from 20 December 2024 to 27 December 2024, both days inclusive, during which period no transfer of H shares can be registered so as to ascertain the holders of H shares' entitlement to attend and vote at the EGM. Holders of H shares who intend to attend the EGM must deposit the share certificates together with the transfer documents at the H-Share registrar of the Company, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, on or before 4:30 p.m. on 19 December 2024.
2. Shareholders who are entitled to attend the EGM or their representatives or proxies are entitled to attend the EGM with their identity certificates or passports. If a shareholder appoints a proxy to attend the EGM on his behalf, his proxy must bring along the proxy form.
3. A shareholder who has the right to attend and vote at the EGM is entitled to appoint one proxy or several proxies, whether a member of the Company or not, to attend and vote at the EGM.
4. If more than one proxy is appointed by a shareholder, the proxies can exercise their voting rights only in the case of a poll.
5. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing. In the case of a corporation, the proxy form must be under its common seal or under the hand of its director or duly authorized attorney. If the proxy form is signed by an agent on behalf of an appointer, the proxy form or other authority must be notarized.
6. The proxy form together with the notarized power of attorney or other authority must be delivered to the office of the Company (in respect of A shares) or to the H-Share registrar of the Company, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in respect of H shares) 24 hours before the time appointed for the holding of the EGM.
7. The Company's office and correspondence address:  
7 Jingtian Road, Nanjing  
The People's Republic of China  
Postal code: 210033  
Telephone: (8625) 8480 1144  
Fax: (8625) 8482 0729