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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
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

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



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 page 30 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 50 of this circular. A notice of the EGM to be held on Tuesday, 28 December 2021 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China and the Proxy Form for use at the EGM have been despatched to the Shareholders on 7 December 2021. Whether or not you are able to attend and vote at the EGM, please complete and return the Proxy Form in accordance with the instructions printed thereon to the office of the Company as soon as possible and in any event not less than 24 hours before the time of the EGM or any adjournment thereof. 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.

13 December 2021

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DEFINITIONS

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 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 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 61.3835% by CEC and 25.1293% 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;

DEFINITIONS

“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, among other matters, the CCT Agreements and the Annual Caps;
“Electronics Equipment Company”	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫电子装备有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
“Electronics Manufacturing Company”	Nanjing Panda Electronics Manufacturing Co., Ltd. (南京熊猫电子制造有限公司), 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 Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under 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;

DEFINITIONS

“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”	9 December 2021, 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 Finance Company, 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 date of this circular;
“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;
“Shareholder(s)”	holder(s) of the share(s) of the Company;

DEFINITIONS

“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.

LETTER FROM THE BOARD

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. Zhou Guixiang (*Chairman*)
Mr. Li Renzhi
Mr. Xia Dechuan

Non-executive Directors

Mr. Shen Jianlong
Mr. Deng Weiming

Independent non-executive Directors

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

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13 December 2021

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTION
AND
THE PROPOSED APPOINTMENT OF NON -EXECUTIVE DIRECTOR**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2021 in relation to the renewal of the existing continuing connected transactions under the CCT Agreements; and the announcement issued by the Company on 26 November 2021 in relation to the appointment of a candidate for non-executive Director by the Board. Both matters are subject to the approval of Shareholders at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details on the renewal of continuing connected transactions under the CCT 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) ; (iv) the proposed appointment of non-executive Director; and (v) other information prescribed by the Listing Rules.

II. CONTINUING CONNECTED TRANSACTIONS

1. BACKGROUND INFORMATION

References are made to the announcement of the Company dated 7 November 2018 and the circular of the Company dated 11 December 2018 in relation to (among others) the continuing connected transactions between the Company and its connected persons. The continuing connected transactions of the Company in relation to the financial services last for a term of 3 years from 28 December 2018 to 27 December 2021; the remaining continuing connected transactions last for a term of 3 years from 1 January 2019 to 31 December 2021.

The existing continuing connected transactions of the Company will expire on 27 December 2021 and 31 December 2021 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 renew the CCT Agreements by the Group with the CEC Group and CEC Finance.

On 15 November 2021, the Company (on behalf of the Group) entered into the CCT Agreements with the CEC Group and CEC Finance accordingly as disclosed in the announcement of the Company dated 15 November 2021.

CEC is the controlling shareholder of NEIIC and the de facto controller of the Company. NEIIC is the controlling shareholder of PEGGL, the controlling shareholder of the Company. CEC Finance is a subsidiary of CEC. CEC, 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 agreements constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

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	Proposed
	1 January 2019 to 31 December 2021 <i>(RMB'000)</i>	1 January 2022 to 31 December 2024 <i>(RMB'000)</i>
(A) Sale of materials, components and parts by the Group to the CEC Group	2,100,000	650,000
	Historical 28 December 2018 to 27 December 2021 <i>(RMB'000)</i>	Proposed for the 3 years commencing upon the approval of the Independent Shareholders at the EGM <i>(RMB'000)</i>
(B) Financial services Fund settlement services	500,000	500,000

LETTER FROM THE BOARD

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: 15 November 2021
3. Term: From 1 January 2022 to 31 December 2024
4. Parties:
 - (1) the Company
 - (2) CEC
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, T-CON Board, light guide plates and other LCD panel-related components, communication products, power supply products, tablets, capacitors and other electronic products and devices, and calculators, software and other information-based office products.
6. Existing Annual Cap: RMB2,100,000,000
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 Group in respect of such sales of materials, components and parts.

LETTER FROM THE BOARD

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 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 price or using the cost-plus pricing approach.

For the purpose of this agreement, market price refers to: the price paid 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.

LETTER FROM THE BOARD

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

- (1) With regard to the sales of liquid crystal substrate glass lines and related systems, operation and maintenance management platforms and software, special communication products and other products by Electronics Equipment Company under the Group to the companies under 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 sold by the Group to independent third party customers.

The Board is of the view that the above 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 than those offered by the Group to independent third party customers, which is mainly based on the following considerations: (i) the products to which such gross profit margin apply are non-standardized products (i.e. customers to provide specifications and parameters for various products according to their own needs); and (ii) the Group has compared the above gross profit margin with its gross profit margin for similar products sold to independent third party customers in the past in the process of determining such gross profit margin to ensure that the above gross profit margin are no less favourable than those obtained by the Group for similar products sold to other independent customers in the past.

LETTER FROM THE BOARD

- (2) With regard to the sales of T-CON Board, light guide plate and related consumables by Electronics Manufacturing Company under the Group to the companies under 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 CEC Group and organizes SMT processing. For T-CON 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 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/smtjpg.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.

LETTER FROM THE BOARD

- (3) The products sold by the Group to CEC Group, which have comparable products in the open market, include: television case and related kits, communication products, power supply products, tablets, capacitors and other electronic products and devices, as well as calculators, 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.

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.

Unless otherwise provided, relevant payments shall be settled within 20 days upon the individual implementation agreements taking effect. The effective conditions of the agreements are to be agreed by the parties and set forth in the individual implementation agreement. The Group and 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.

LETTER FROM THE BOARD

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

	Six months ended 30 June 2021 <i>(unaudited)</i>	Year ended 31 December 2020 <i>(audited)</i>	Year ended 31 December 2019 <i>(audited)</i>
Amount <i>(RMB'000)</i>	798,140	1,640,720	1,687,810

10. Proposed Annual Cap: The Board proposes to decrease the Annual Cap from RMB2,100,000,000 to RMB650,000,000.

Such amount was determined with main reference to:

- (1) 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
- (2) the estimated categories, total volume, amount of the products to be sold to CEC Group by the Group during the term of this agreement.

The decrease in the Annual Cap for the transaction from RMB2,100,000,000 to RMB650,000,000 is mainly due to the fact that the Group significantly lowered the annual caps for sales of materials, components and parts after CEC Group adjusted the LCD business segment and part of the Group's T-CON Board sales business no longer constituted a connected transaction with CEC Group.

LETTER FROM THE BOARD

The Group considers that the above proposed Annual Cap is reasonable and able to meet the future business needs of the Group. The transaction amount of RMB798 million between the Group and CEC Group for the six months ended 30 June 2021 is actually inclusive of the amount of relevant transactions between the Group and two subsidiaries of CEC Group then (after deducting the transaction amount with these two companies, the transaction amount between the Group and CEC Group for the six months ended 30 June 2021 was RMB184 million), these two companies have been disposed of by CEC Group and therefore will not be included as subsidiaries of CEC Group during the term of the Sale Agreement. Accordingly, the future transaction amounts incurred between the Group and these two companies will also not be accounted for under the Sale Agreement.

During the term of the Sale Agreement, the types and amounts of products expected to be sold by the Group to the CEC Group each year are generally as follows: external circulation line products (amounting to approximately RMB40 million), LCD substrate glass line and related systems (amounting to approximately RMB80 million), operation and maintenance management platform and software (amounting to approximately RMB10 million), T-CON Board (amounting to approximately RMB140 million), power supply products and accessories (amounting to approximately RMB70 million), TV spare parts (RMB15 million), communication products and accessories (RMB153 million), weak current system equipment (RMB60 million) and other types of products valued at RMB41.17 million.

Part of the Group's LCD business and T-CON Board sales business with CEC Group were conducted with two subsidiaries of CEC Group which, as mentioned above, are no longer subsidiaries of CEC Group as they have been disposed of by CEC Group and are no longer counterparties under this agreement, and therefore such part of LCD business and T-CON Board sales business will no longer constitutes part of the continuing connected transactions between the Group and CEC Group.

LETTER FROM THE BOARD

(B) Financial Services Agreement (fund settlement service)

1. Agreement: Financial Services Agreement
2. Date: 15 November 2021
3. Term: The Financial Services Agreement will be effective for three years upon the 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; assisting the Group to collect and pay the amount of transactions; carrying out authorized insurance brokerage business; providing guarantee to the Group; entrusted loans and entrusted investment services; handling bill acceptance and discount services for the Group; handling the internal transfer among members of the Group and designing relevant settlement and liquidation plans; deposit services; handling such financial services as loans for the Group.
 - (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

LETTER FROM THE BOARD

- (i) This category comprises of mainly deposit services including but not limited to deposits taking and handling time deposits, call deposits, agreement deposit, receipt and payment of transaction amount and other services.
 - (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.
- (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.

LETTER FROM THE BOARD

- (5) 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.
- (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) According to the articles of association of CEC Finance, 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 (1) 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 (2) the quarterly financial statements of CEC Finance on the tenth business day in the next month after each quarter for the Company's review.

LETTER FROM THE BOARD

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

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 Report on China Electronics Financial Co., Ltd. (Xin Kuai Shi Bao Zi [2021] No. ZG214342) (《關於中國電子財務有限責任公司風險評估報告》(信會師報字[2021]第ZG214342號)) issued by BDO China Shu Lun Pan CPAs 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 2021.

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.

LETTER FROM THE BOARD

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:

- (1) The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period. CEC Finance will not charge the Group for any other services within this category.
- (2) During the term of Financial Services Agreement (fund settlement service), if the Group signs an agreement with a domestic commercial bank, pursuant to which the interest rates for deposits and/or relevant fees agreed by the both parties are more favourable than those provided by CEC Finance in respect of the same business under the Financial Services Agreement (fund settlement service), CEC Finance shall, in accordance with the requirements of the Group, adjust the aforementioned interest rates for deposits and/or relevant fees to the same or more favourable standards compared with those provided by such domestic commercial bank.

Prior to utilizing any of the financial services under the Financial Services Agreement (fund settlement service), the officers of the financial department of the Company will verify whether the terms offered by CEC Finance are more favourable or no less favourable than the terms offered by independent third parties for the same or similar services. In particular, the officers of the financial department of the Company will refer to the rates or terms publicly updated by the People's Bank of China at its offices or websites from time to time or make enquiries with other independent commercial banks for quotations as mentioned above. The officers of the financial department will then gather the quotations/information obtained for comparison and for the review by the head of financial department of the Company to ensure that the terms and/or rate offered by CEC Finance are more favourable or no less favourable than the terms and/or rate offered by independent third parties.

LETTER FROM THE BOARD

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

	As at 30 June 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(audited)</i>	As at 31 December 2019 <i>(audited)</i>
Fund settlement service <i>(RMB'000)</i>	497,600	495,770	495,880

Remark: In 2019 and 2020 and the period from January to June 2021, the fund settlement service balances amount of the Group did not exceed the caps for the corresponding years.

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 RMB500,000,000, 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.

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 CEC Group and CEC Finance under the CCT 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;

LETTER FROM THE BOARD

In addition, transaction prices for all the transactions contemplated under the CCT Agreements of the Group have been determined by making reference to market prices, agreement price, cost-plus pricing, government-prescribed price or government-guidance prices, 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.
- (ii) Making references to agreement prices: the Group adopts the agreement price in the absence of market price. Such pricing basis is adopted for:
 - (A) provision of raw materials, components and parts under the Sale Agreement.
- (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.

LETTER FROM THE BOARD

- (iv) Government-guidance prices: As at the date of this circular, there are no relevant transactions under the aforesaid agreements to which the government-guidance price is applicable.
 - (v) Government-prescribed prices: As at the date of this circular, there are no relevant transactions under the aforesaid agreements to which the government-prescribed price is applicable.
- (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 Agreements and the letters issued by the audit institutions in respect of the connected transactions;
- (4) Before conducting business under the Financial Services 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. During the term of the Financial Services Agreement (fund settlement service), if the Group signs an agreement with a domestic bank, pursuant to which the interest rates for deposits and loans and relevant fees agreed by the both parties are more favourable than those provided by CEC Finance under the Financial Services Agreement (fund settlement service), CEC Finance shall, in accordance with the requirements, adjust the aforementioned interest rates for deposits and relevant fees to the same or more favourable standards compared with those provided by such domestic commercial bank.

LETTER FROM THE BOARD

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 provided relevant internal control procedures and corporate governance measures in the Financial Services Agreement, which 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;
- (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;
- (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.

LETTER FROM THE BOARD

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.
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.

LETTER FROM THE BOARD

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.

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) any financial indicator of 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》);

LETTER FROM THE BOARD

- (3) CEC Finance encounters any run on deposits, insolvency, substantial amount of overdue loans or guarantee advances (i.e. 50% or more of the registered capital of CEC Finance), 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;
- (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.

LETTER FROM THE BOARD

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 CEC 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 Existing Continuing Connected Transactions” above.

Taking into account the above, the Directors (including independent non-executive Directors) 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.

LETTER FROM THE BOARD

6. IMPLICATIONS UNDER THE LISTING RULES

As mentioned above, CEC is the de facto controller of the Company and the controlling shareholder of NEIIC, the controlling shareholder of PEGL, while PEGL is the controlling shareholder of the Company. CEC Finance is a subsidiary of CEC. CEC, 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 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. Zhou Guixiang, Mr. Li Renzhi and Mr. Shen Jianlong all hold positions in NEIIC, the controlling Shareholder of PEGL, Mr. Deng Weiming holds position in Nanjing CEC Panda Home Appliances Co., Ltd.* (南京中電熊貓家電有限公司), the subsidiary of NEIIC, Mr. Li Changjiang holds position in Nanjing Changjiang Electronics Group Co., Ltd.* (南京長江電子信息產業集團有限公司), the wholly-owned subsidiary of NEIIC and Mr. Xia Dechuan holds position in Nanjing LG Panda Appliances Co., Ltd. (南京樂金熊貓電器有限公司), the associate of PEGL, they have abstained from voting on the resolution regarding the Sale Agreement and Financial Services Agreement (fund settlement service) at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolution, 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 resolution of the Board.

LETTER FROM THE BOARD

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's controlling shareholder, PEGL, 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'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 intra-group 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.

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.

LETTER FROM THE BOARD

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.

The CEC Finance has a registered capital of RMB1.750943 billion and is held by CEC, the largest shareholder and ultimate controller, as to 61.3835% equity interests.

II. THE PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 26 November 2021. As previously disclosed, on 26 November 2021, Mr. Yi Guofu was appointed by the Board as a candidate for non-executive Director of the tenth session of the Board, with effect from the date of passing the relevant resolution at the EGM.

At the fourth meeting of the tenth session of the Board held on 26 November 2021, the nomination of Mr. Yi Guofu as a candidate for non-executive Director of the tenth session of the Board, for a term of office until the expiration of the tenth session of the Board, and submission of the same to the general meeting of the Company, was considered and approved.

Biography of Mr. Yi Guofu

The biographical details of Mr. Yi Guofu are as follows:

Mr. Yi Guofu (易國富), born in 1970, holds a master's degree in business administration from Nanjing University and is a senior economist. Mr. Yi successively served as the head of the personnel division, deputy director of the personnel division, director of the personnel division and the head of the human resources department of the Company. He served as the deputy secretary of the Party Committee and secretary of the disciplinary committee of the Company from November 2016 to September 2021. Mr. Yi has been the secretary of the Party Committee of the Company since September 2021. Mr. Yi Guofu is also serving as the supervisor of Nanjing Panda Electronic Technology Development Co., Ltd. and Nanjing Panda Industrial Enterprise Co., Ltd. Mr. Yi has been engaged in human resource management and Party affairs for a long time and has extensive professional knowledge and management experience.

Save as disclosed above, Mr. Yi Guofu did not hold any position in the Company or any of its subsidiaries, has not held any directorship in any other listed public company during the past three years and has no other major appointments and professional qualifications.

LETTER FROM THE BOARD

The term of service of Mr. Yi Guofu will expire at the end of the tenth session of the Board of the Company. Mr. Yi Guofu will not receive remuneration as a non-executive Director of the Company but he shall receive remuneration as the secretary of the Party Committee of the Company. His annual remuneration as the secretary of the Party Committee of the Company mainly consists of basic salary, post salary and performance salary, among which, the basic salary and post salary are approximately RMB282,000 per year (before tax), determined based on job responsibilities and division of tasks; and the performance salary is calculated by taking into full account the achievement of key performance indicators, the completion of key tasks and operational compliance of the Company for each year, and will be calculated according to different weighted factors. In addition, the remuneration of Mr. Yi Guofu will also be determined with reference to changes in market conditions.

Save as disclosed above, Mr. Yi Guofu does not have any relationship with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the date of this circular, Mr. Yi Guofu does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no other information in relation to the appointment of Mr. Yi Guofu which needs to be brought to the attention of the Shareholders of the Company and there is no other information that needs to be disclosed pursuant to the requirement of Rules 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IV. THE EGM

The EGM will be held on Tuesday, 28 December 2021 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China.

A notice convening the EGM and the Proxy Form for the EGM have been despatched to the Shareholders on 7 December 2021. Please refer to the announcement of the Company dated 7 December 2021 for details of the EGM.

The register of members relating to H-shares of the Company will be closed from 22 December 2021 to 28 December 2021, 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 Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 21 December 2021.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, CEC 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 and the adjusted Annual Caps.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is materially interested in the proposed appointment of non-executive Director and, therefore, no Shareholder is required to abstain from voting on the relevant resolution at the EGM.

V. 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.

VI. 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 and the Company's website at www.panda.cn after the EGM as soon as possible.

VII. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the renewed continuing connected transactions 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 page 30 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 31 to 50 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the opinion that the proposed appointment of non-executive Director is in the interests of the Company and the Shareholders, and recommend all the Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the proposed appointment of non-executive Director.

VIII. 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
Zhou Guixiang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

13 December 2021

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 revised 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 31 to 50 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.

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

LETTER FROM GRAM CAPITAL

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

13 December 2021

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS

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 13 December 2021 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 15 November 2021, the Company entered into the CCT Agreements with CEC Group, NEIC Group, CEC Finance and CEC Home Appliances to renew the existing continuing connected transactions, which are expected to continue after the expiration in 2021.

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.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsu (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

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to a major and connected transactions (details of which are set out in the Company's circular dated 23 November 2021). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale Transactions and the Fund Settlement Services.

Having considered the above and that (i) 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; and (ii) the aforesaid past engagement was only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

LETTER FROM GRAM CAPITAL

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 Transactions and the Fund Settlement Services. 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.

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 Sale Transactions and the Fund Settlement Services. 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.

LETTER FROM GRAM CAPITAL

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 principal businesses of the Group include the development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instruments, apparatus and office machine; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; moulds; computing industry, software industry, system integration; property management; together with the after service and technology service.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021 as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report") and the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"):

	For the six months ended 30 June 2021 <i>RMB'000</i> <i>(unaudited)</i>	For the year ended 31 December 2020 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2019 <i>RMB'000</i> <i>(audited)</i>	Year-on-year change %
Total operating income	2,169,456.3	3,952,265.0	4,660,047.0	(15.19)
Operating profit	52,658.4	140,013.0	143,373.0	(2.34)
Net profit attributable to the shareholders of the parent company	18,273.0	77,318.2	52,657.9	46.8

The Group recorded total operating income of approximately RMB3,952.3 million for the year ended 31 December 2020 ("FY2020"), representing a decrease of approximately 15.19% as compared to that for the year ended 31 December 2019 ("FY2019"). Despite that the Group recorded a decrease in total operating income in FY2020, the net profit attributable to the shareholders of the parent company for FY2020 was substantially increased, which was mainly due to the increase in extraordinary profit and loss as a result of the deduction of part of social insurance due to the COVID-19 pandemic for the period.

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For the six months ended 30 June 2021 (“1H2021”), the Group recorded an increase of approximately 26.56% in total operating income as compared to that for the corresponding period in 2020 (“1H2020”). The aforesaid change was mainly due to the period-on-period increase in income from modern digital city business (1H2021: approximately RMB1,062.6 million; 1H2020: approximately RMB722.3 million). The Group also recorded an increase of approximately 44.07% in net profit attributable to the shareholders of the parent company as compared to that for 1H2020, which was mainly due to the period-on-period increase in income and profit from modern digital city business.

As at 30 June 2021, the Group recorded monetary fund of approximately RMB1,334.7 million and total shareholders’ equity of approximately RMB3,762.2 million.

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. As at the Latest Practicable Date, CEC is the de facto controller of the Company.

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.

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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 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 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; and (ii) the pricing policy under the Sale Agreement, 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 section headed "Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group" of the Board Letter.

Date:	15 November 2021
Term:	From 1 January 2022 to 31 December 2024
Parties:	(i) The Company (ii) CEC
Nature of transaction:	The products sold by the Group to 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, T-CON Board, light guide plates and other LCD panel-related components, communication products, power supply products, tablets, capacitors and other electronic products and devices, and calculators, software and other information-based office products.
Annual Cap:	RMB650 million for each of the three years ending 31 December 2024

LETTER FROM GRAM CAPITAL

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 for the same or similar products.

The selling prices of the Products 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 "8. Pricing basis and terms of payment" of section headed "Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group" 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 FY2019 and FY2020, 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 Hong Kong 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 of 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.

LETTER FROM GRAM CAPITAL

Market prices and agreement price

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. (SZ002315, “**Focus Technology**”), being a listed company in Shenzhen Stock Exchange. Focus Technology is a pioneer and leader in the field of electronic business in China. We also noted from interim report of Focus Technology for the six months ended 30 June 2021, Made-in-China.com (English site) has approximately 21,490 members as at 30 June 2021.

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 advised by the Directors, as there were market price for raw materials, components and parts under the Sale Transactions for FY2019, FY2020 and for the six months ended 30 June 2021, the agreement price was not adopted accordingly.

In addition, 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, ultimate costs of products will be confirmed by officers of the marketing department. The gross profit margin will be ranged 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 sold by the Group to independent third party customers.

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The Board is of the view that the above 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 than those offered by the Group to independent third party customers, which is mainly based on the following considerations: (i) the products to which such gross profit margin apply are non-standardized products (i.e. customers to provide specifications and parameters for various products according to their own needs); and (ii) the Group has compared the above gross profit margin with its gross profit margin for similar products sold to independent third party customers in the past in the process of determining such gross profit margin to ensure that the above gross profit margin are no less favourable than those obtained by the Group for similar products sold to other independent customers 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 2019 and 2021; (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. According to the list as provided by the Directors, we noted that (i) the Group recorded gross loss for contracts entered into in 2019, gross profit margin of approximately 20.75% and approximately 1.67% for contracts entered into in 2020 and 2021 (first ten months) respectively, 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.

Having considered that (i) the aforesaid gross profit margins range amounted to approximately 13% to 17%; and (ii) the gross profit margin will be not less than the weighted average gross profit margin of the same or similar products of the Group, we consider 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 “INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter.

LETTER FROM GRAM CAPITAL

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; (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 is according to its pricing basis.

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. Upon our further request, we obtained documents showing the Group's internal reporting of existing Sale Transactions amounts for first three months, first six months and first nine months in 2021.

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

The historical amounts and the proposed annual caps

Set out below are (i) the historical transaction amounts of the Sale Transactions for the two years ended 31 December 2020 and the six months ended 30 June 2021 with existing caps; and (ii) the proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)
Historical transaction amounts	1,687,810	1,640,720	798,140
			<i>(Note)</i>
– Company A and Company B	1,324,287	1,220,706	614,039
– Other members of CEC Group	363,523	420,014	184,101
Existing annual caps	2,100,000	2,100,000	2,100,000
Utilisation rate (%)	80.4	78.1	N/A
	For the year ending 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)
Proposed annual caps	650,000	650,000	650,000

Note: the figure was for the six months ended 30 June 2021

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Based on the Directors' understanding, the CEC Group disposed equity interests in Company A and Company B in 2020. Therefore, for the period of six months ended 30 June 2021, Company A and Company B were no longer connected persons (關連方) of the Company pursuant to the Hong Kong Listing Rules, but continued to be the related-parties (關聯方) of the Company under the existing Sale Agreement (for 12 months following the aforementioned disposals) pursuant to relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange. Accordingly, the historical transaction amounts for the six months ended 30 June 2021 include the relevant transactions amounts of Company A and Company B. For the avoidance of doubt, Company A and Company B will not be deemed as subsidiaries of CEC Group during the term of the Sale Agreement. Accordingly, the future transaction amounts incurred between the Group and these two companies will also not be accounted for under the Sale Agreement.

With reference to the Board Letter, the proposed annual caps for the three years ending 31 December 2024 were determined after taking into account of certain factors, which are set out under the sub-section headed "10. Annual caps" under the section headed "Sale Agreement: Sale of materials, components and parts by the Group to the CEC Group" of the Board Letter.

According to the above table, we noted that the relevant utilisation rates of the existing annual caps were approximately 80.4% and 78.1% for the year ended 31 December 2019 and 31 December 2020 respectively. The historical transactions for the two years ended 31 December 2020 were stable. Despite that the utilisation rates of existing annual caps for the two years ended 31 December 2020 were at high level, the Company downward adjusted the proposed annual caps for the three years ending 31 December 2024 to RMB650 million.

Upon our request, the Directors provided us a calculation of the proposed annual caps for the three years ending 31 December 2024. According to the calculation, the proposed annual caps for the three years ending 31 December 2024 was calculated based on (i) the estimated amounts of Sale Transactions of approximately RMB608.6 million for the three years ending 31 December 2024; and (ii) a buffer of approximately 7% on the aforesaid estimated amounts.

To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, in particular, the substantial decrease of RMB1,450 million as compared to the existing annual caps for the three years ending 31 December 2021, we conducted the following analyses:

The estimated amounts of Sale Transactions

According to the calculation, the estimated amounts of Sale Transactions of approximately RMB608.6 million for FY2022 was calculated based on (i) the estimated demand of Sale Transactions of approximately RMB504.0 million for FY2021; and (ii) an estimated increase of approximately 20%.

LETTER FROM GRAM CAPITAL

As advised by the Directors, in the past, the Group supplied the Products to CEC Group's then subsidiaries, Company A and Company B. The CEC Group disposed equity interests in Company A and Company B in 2020. According to the public information, as at the Latest Practicable Date, CEC was interested in less than 30% in Company A and did not hold any equity interests in Company B, accordingly Company A and Company B were no longer connected persons of the Company. As mentioned in the note to the above table, Company A and Company B will not be deemed as subsidiaries of CEC Group during the term of the Sale Agreement and the future transaction amounts incurred between the Group and these two companies will also not be accounted for under the Sale Agreement. Therefore, the estimated demand of Sale Transactions of approximately RMB504.0 million for FY2021 (for the purpose of calculating the estimated amounts of Sale Transactions for FY2022) did not include any transaction amounts of Company A and Company B.

The Directors provided us the historical purchase of the Products by Company A and Company B from the Group. We noted that (i) the Company A purchased the Products with amounts of approximately RMB793.7 million and RMB536.9 million for the two years ended 31 December 2019 and 2020 respectively; and (ii) the Company B purchased the Products with amounts of approximately RMB530.5 million and RMB683.8 million for the two years ended 31 December 2019 and 2020 respectively.

The historical amounts of the Sale Transactions (excluding the amounts from Company A and Company B) amounted to approximately RMB363.5 million and RMB420.0 million for the two years ended 31 December 2020, indicating an increase of approximately 16% from FY2019 to FY2020. The estimated demand of the Sale Transactions of approximately RMB504.0 million for FY2021 represented an increase of approximately 20% as compared to that for FY2020. The estimated increase rate of the Sale Transactions (excluding the amounts from Company A and Company B) from FY2020 to FY2021 is close to the increase rate of that from FY2019 to FY2020.

To further assess the fairness and reasonableness of the estimated demand of the Sale Transactions for FY2021, we used the annualised amounts for FY2021 based on the historical amounts of the Sale Transactions for the six months ended 30 June 2021. Based on the historical amounts of the Sale Transactions for the six months ended 30 June 2021 of approximately RMB184.1 million (excluding the amounts from Company A and Company B) and the average proportion of the historical amounts of the Sale Transactions of first half of 2019 and 2020 to the historical amounts of the Sale Transactions of the full year of 2019 and 2020 (i.e. approximately 33.1%), the estimated demand of the Sale Transactions (excluding the amounts from Company A and Company B) for FY2021 amounted to approximately RMB557.0 million. The estimated amounts of approximately RMB504.0 million for FY2021 was less than the annualised amounts of the Sale Transactions (excluding amounts from Company A and Company B) for FY2021 of approximately RMB557.0 million, indicating the estimated amounts of approximately RMB504.0 million for FY2021 was not overestimated. Accordingly, we consider the Sale Transactions (excluding amounts from Company A and Company B) of approximately RMB504.0 million for FY2021 to be justifiable.

LETTER FROM GRAM CAPITAL

As the estimated demand of the Sale Transactions (amounts from Company A and Company B were not included) for FY2022 represented an increase of approximately 21% as compared to that for FY2021, which is close to the average increase of 18% from FY2019 to FY2021, we consider the estimated demand of the Sale Transactions for FY2022 to be justifiable.

We further enquired the Directors in respect of the estimated amounts of Sale Transactions for FY2023 and FY2024 and understood that the Directors assumed the level of transaction amounts for FY2023 and FY2024 would remain stable as compared to that for FY2022. As the estimated amounts of Sale Transactions for FY2023 and FY2024 are the same as that for FY2022 and having considered the Directors assumption as aforementioned, we are of the view that the estimated amounts of Sale Transactions for FY2023 and FY2024 to be justifiable.

Buffer

As further advised by the Directors, when determining the proposed annual caps for the three years ending 31 December 2024, a buffer of approximately 7% was applied on the estimated amounts of the Sale Transactions for each of the three years ending 31 December 2024 so as to accommodate any unexpected increase in the demands on the Products and/or unexpected increase in the cost of supply of the Products during FY2022 to FY2024. Having considered that (A) (i) the unexpected circumstances may take place during FY2022 to FY2024; 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 FY2022 to FY2024 (which were estimated based on various assumptions); and (B) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among companies listed on the Stock Exchange and the buffers of approximately 7% was 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 proposed annual caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the proposed annual 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 2024, 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 proposed annual 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.

LETTER FROM GRAM CAPITAL

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 must be restricted by their respective annual caps for the period concerned under the Sale Agreement; (ii) the terms of the Sale Transactions (including the proposed annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Sale Transactions 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 the transactions contemplated under the Sale Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Sale Agreement governing the Sale Transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the Sale Transactions are anticipated to exceed the proposed annual caps, or that there are any proposed material amendment to the terms of the Sale Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transactions.

Given that (i) the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules which requires the annually review by the Company's independent non-executive Directors and auditors in different aspects (e.g. review on terms and transaction amounts of the Sale Transactions); and (ii) as mentioned above, the effective implementation of the internal control measure (which we do not doubt) would help to ensure fair pricing of the transactions contemplated under the Sale Transactions is in accordance with its pricing basis and the frequency of review on amounts of Sale Transactions is appropriate, we are of the view that there are adequate measures in place to monitor the Sale Transactions and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Sale Transactions

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

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 intra-group 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 has a registered capital of RMB1.750943 billion and is held by CEC, the largest shareholder and ultimate controller, as to 61.3835% equity interests.

As confirmed by the Company, CEC Finance is required to operate in compliance with the 《企業集團財務公司管理辦法》(Administrative Measures for the Group Finance Companies*, the “**Administrative Measures**”) promulgated by China Banking Regulatory Commission (now known as CBIRC) to regulate the operation of group finance companies and reduce the possible financial risk, and other regulations promulgated by the PBOC and CBIRC (e.g. 《企業集團財務公司風險監管指標考核暫行辦法》(Assessment Measures for Risk Control Indicators for the CEC Finance*, the “**Assessment Measures**”). We noted that the Administrative Measures and the Assessment Measures set out certain compliance and risk control requirements/measures, including but not limited to, maintaining certain ratios at all times.

In addition, as confirmed by the Company, the Company is not aware of any record of non-compliance with the relevant rules and regulations by CEC Finance in the recent two years.

As mentioned above, CEC Finance is a non-banking financial institution authorised and regulated by the PBOC and CBIRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. Pursuant to the Administrative Measures, in the event that group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We noted from CEC Finance's articles of association that board of CEC, being the controlling shareholder of the CEC Finance, undertook that CEC will provide funding to CEC Finance to satisfy its capital needs in the event that CEC Finance experiences any urgent payment difficulties.

LETTER FROM GRAM CAPITAL

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 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. 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.

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 “Financial Services Agreement” of the Board Letter.

Date:	15 November 2021
Parties:	(1) the Company (2) CEC Finance
Term of the agreement:	The Financial Services Agreement will be effective for three years upon the approval of the Independent Shareholders at the EGM
Pricing policy for Fund Settlement Services:	The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period. CEC Finance will not charge the Group for any other services within this category.

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Upon our request, we obtained deposit records in respect of the Company's deposits in independent commercial banks and the CEC Finance respectively, in each of 2019, 2020 and 2021. We noted from the deposit records that the interest rates of deposits offered by CEC Finance were not lower than those offered by domestic commercial banks during the same period ("**Our Findings on Deposit Rates**").

As also 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.

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

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. Upon our further request, we obtained documents showing reports of the Group's deposit balance by staff of CEC Finance for one day in each month of the first nine months of 2021.

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 RMB500,000,000 during the three years upon the approval of the Independent Shareholders at the EGM (the "**Deposit Caps**").

LETTER FROM GRAM CAPITAL

Set out below are the historical maximum daily deposit balance (including any interest accrued thereon) with existing annual caps:

Historical transaction amounts	For the year ended 31 December 2019 <i>(RMB'000)</i>	For the year ended 31 December 2020 <i>(RMB'000)</i>	For the period from 1 January 2021 to date of the expiry of the existing financial services agreement <i>(RMB'000)</i>
Fund settlement service balance	495,880	495,770	497,600 <i>(Note)</i>
Maximum daily deposit balance	500,000	500,000	500,000
Utilisation rate (%)	99.2	99.2	99.5

Note: the figure was for the six months ended 30 June 2021

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 “10. Proposed annual caps” under the section headed “Financial Services Agreement” of the Board Letter.

According to the above table, we noted that the existing deposit caps of the Fund Settlement Services were almost fully utilised. The Deposit Caps remained the same as the existing deposit caps of RMB500 million.

To assess the fairness and reasonableness of the Deposit Caps, we conducted the following analyses:

- We noted from the Company’s quarterly report for the nine months ended 30 September 2021 that as at 30 September 2021, the Group’s (i) cash and cash equivalents amounted to approximately RMB1,250 million; (ii) accounts receivables amounted to approximately RMB1,328 million. The summation of aforesaid two items (the “**Summation**”) amounted to RMB2,578 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.
- We noted that the Group’s average cash and cash equivalents amounts for 2021 (being the year that the Financial Services Agreement was entered into and calculated based on cash and cash equivalents amounts as at 30 September 2021, 30 June 2021, 31 March 2021 and 31 December 2020) were approximately RMB1,163 million, being at similar level to the average cash and cash equivalents amounts for 2018 (being the year that the existing financial services agreement was entered into and calculated based on cash and cash equivalents amounts as at 30 September 2018, 30 June 2018, 31 March 2018 and 31 December 2017) of approximately RMB1,206 million.

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- As advised by the Directors, it is difficult to forecast the total cash level during the three years upon the approval of the Independent Shareholders at the EGM. Nevertheless, should there be any substantial increase in total cash of the Company, the Company may opt to deposit larger 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 above factors, in particular, (i) 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; (ii) there is no material difference between the average cash and cash equivalents amounts for 2021 and for 2018 as stated above; (iii) the Deposit Caps were the same as existing deposit caps, which were almost fully utilised, 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 maximum values of the Fund Settlement Services must be restricted by the Deposit Caps for the period concerned under the Financial Services Agreement; (ii) the terms of 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 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 the Fund Settlement Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the maximum amounts of the Fund Settlement Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of 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.

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Given the (i) above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules which requires the annually review by the Company's independent non-executive Directors and auditors in different aspects (e.g. review on terms and transaction amounts of the Fund Settlement Services); and (ii) as mentioned above, 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 (we do not doubt the effectiveness of the implementation of the internal procedures for the Fund Settlement Services) and the frequency of review on the deposit balance of the Group is appropriate to govern daily maximum deposit balance, we are of the view that there are adequate measures in place to monitor the Fund Settlement Services and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Fund Settlement Services

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Fund Settlement Services are on normal commercial terms and are fair and reasonable; and (ii) 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 resolution(s) to be proposed at the EGM to approve the Fund Settlement Services and we recommend the Independent Shareholders to vote in favour of the resolution(s) 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 over 25 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, the interests and short positions of the Directors, supervisors and the chief executive of the Company 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 10 of the Hong Kong Listing Rules) were as follows:

Interests in domestic shares of the Company:

Name of Director	Position	Capacity	Nature of interests	No. of shares held (Long position)	Percentage of share capital in issue (%)
Zhou Guixiang	Chairman, Executive Director	Beneficial owner	Personal	1,639	0.00018

(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 Securities and Futures Ordinance (“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) NEIC 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. NEIC 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 NEIC and 100% equity interests in CEIEC (H.K.) Limited. NEIC 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 Huarong held 64,471,891 domestic shares, accounting for approximately 9.59% of domestic shares in issue and approximately 7.06% 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. (6) 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. (7) China General Technology (Group) Holding Company Limited held 14,912,000 H shares, accounting for approximately 6.16% of H shares in issue and approximately 1.63% of the total shares in issue. The nature of interests in such shares is 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 PEGL as shown below:

Name of Director/Supervisor	Position held in NEIIC
Zhou Guixiang	Chairman
Li Renzhi	Deputy General Manager
Shen Jianlong	Assistant to General Manager
Zhao Ji	Chief Accountant
Fu Yuanyuan	Director of Audit Department

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 PEGL, the controlling Shareholder of the Company as shown below:

Name of Director/Supervisor	Position held in PEGL
Deng Weiming	Deputy General Manager

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 as 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 2020 (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 2020 (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 experts (the “**Experts**”) who have been named in this circular or have given opinion or advice in this circular:

Name	Qualifications
BDO China Shu Lun Pan CPAs LLP	Certified Public Accountants
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 Experts 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 2020 (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 Experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their statements and references to their 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. The Risk Assessment Report on China Electronics Financial Co., Ltd. (Xin Kuai Shi Bao Zi [2021] No. ZG214342) (《關於中國電子財務有限責任公司風險評估報告》(信會師報字[2021]第ZG214342號)) issued by BDO China Shu Lun Pan CPAs LLP, referred to under “(B) Financial Services Agreement (fund settlement service)” of “Particulars of renewal of the Continuing Connected Transactions” of this circular, was not made by BDO China Shu Lun Pan CPAs LLP for incorporation in this circular.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at website of the Stock Exchange and the Company from the date of this circular up to and including the date of the EGM:

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

9. GENERAL

- (a) The registered office of the Company is situated at Room 1701, 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the People’s Republic of China.
- (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.