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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**

References are made to the announcement of the Company dated 7 November 2018 and the circular 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 existing CCT Agreements with the CEC Group and CEC Finance.

As CEC is the de facto controller of the Company and CEC Finance is a subsidiary of CEC. CEC, CEC Finance and their respective associates constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the relevant agreements constitute continuing connected transactions of the Company.

## **Implications under the Hong Kong Listing Rules**

As one or more of the applicable percentage ratios for 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.

Since the comprehensive credit services contemplated under the Financial Services Agreement are, for the benefit of the Group, on normal commercial terms and not secured by the assets of the Group, such comprehensive credit services transactions are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Meanwhile, given the applicable percentage ratios for the other financial services transactions contemplated under the Financial Services Agreement, such other financial services transactions fall within the de minimis exemption under Rule 14A.76 of the Listing Rules and therefore will be exempt from all the reporting, announcement and Independent Shareholders' approval requirements.

As one or more of the applicable percentage ratios for the transactions contemplated under the Sub-contracting Agreement, the CEC Sub-contracting Agreement and the Purchase Agreement are below 5% but higher than 0.1%, such transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the 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 also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

CEC, CEC Finance and their associates will abstain from voting on the resolutions to approve the renewal of the continuing connected transactions at the EGM.

A circular containing, among other things, (i) further details on the renewal of the continuing connected transactions under the Sale Agreement and the Financial Services Agreement (fund settlement service), (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser 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), will be despatched to the Shareholders on or before 6 December 2021 in accordance with the relevant requirements of the Hong Kong Listing Rules.

## 1. BACKGROUND

References are made to the announcement of the Company dated 7 November 2018 and the circular 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 existing CCT Agreements by the Group with the CEC Group and CEC Finance.

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.

## 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 (RMB'000)	1 January 2022 to 31 December 2024 (RMB'000)
(A) Provision of sub-contracting services and composite services by the Group to the CEC Group	160,000	80,000
(B) Provision of sub-contracting services and composite services by the CEC Group to the Group	13,000	50,000

Categories of the Continuing Connected Transactions	Annual Caps	
	Historical 1 January 2019 to 31 December 2021 (RMB'000)	Proposed 1 January 2022 to 31 December 2024 (RMB'000)
(C) Purchase of materials, components and parts by the Group from the CEC Group	80,000	50,000
(D) Sale of materials, components and parts by the Group to the CEC Group	2,100,000	650,000
		Proposed for the 3 years commencing upon the approval of the Independent Shareholders at the EGM (RMB'000)
	Historical 28 December 2018 to 27 December 2021 (RMB'000)	
(E) Financial services		
Fund settlement services	500,000	500,000
Comprehensive credit services	600,000	600,000
Other financial services	—	2,000

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

#### Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements

##### ***(A) Sub-contracting Agreement: Provision of sub-contracting services and composite services by the Group to the CEC Group***

1. Agreement: Agreement for the provision of sub-contracting services and composite services
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: Provision of sub-contracting services by the Group to the CEC Group, including processing services for mechanical devices, etc.; SMT processing; quality control; technical development and services; computer and network services; intelligent building engineering services; and other subcontracting services of special equipment manufacturing and installation, etc.; as well as composite services including instruments and apparatus maintenance services, periodic inspection of measuring instruments and equipment, identification and repair services, property management, catering services and labor services.
6. Existing Annual Cap: RMB160,000,000
7. Reason for the transaction: The provision of sub-contracting and composite services by the Group to the CEC Group will enlarge the Group's business and provide a stable source of income for the Group. Therefore, the continuation of such transactions is beneficial to and in the interest of the Group. The Company will renew the agreement with CEC for such sub-contracting and composite services.
8. Pricing basis and terms of payment: The Group is entitled to charge the CEC Group reasonable service fees for the services provided based on the principle of fair market for the services it provides, and the CEC Group shall undertake the corresponding payment obligations. The service fees for the provision of sub-contracting services and composite services by the Group to the CEC Group shall be determined after arm's length negotiation between the parties and based on the pricing policy (as disclosed below) and normal commercial terms with reference to the prevailing market prices, namely, the service fees charged by the Group shall be no less than those charged to an independent third party for the same or similar services.

The service fees for the provision of sub-contracting and composite services by the Group to the CEC Group are determined on a fair and equitable basis with reference to the market price, agreement price, government guidance price and government-prescribed price.

For the purpose of this agreement, market price refers to the price paid by PRC enterprises in the same industry for receiving services 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 services provided by the Group in accordance with the market price during the previous years and considering increases in costs for raw materials and human resources; or (2) the import price of the raw materials or machinery for the relevant products for which the Group provides services in the domestic market plus the import cost to be incurred by the Group and a certain amount of profit, in case there is no supply of such raw materials or machinery in the domestic market. The Group adopts the agreement price in the absence of market price.

For the purpose of this agreement, government-guidance price refers to the price determined by operators taking into account the guidance on a benchmark price and its floating range as provided by competent pricing authorities or other relevant authorities subject to their pricing authority and terms of reference.

For the purpose of this agreement, government-prescribed price refers to the price determined by competent pricing authorities or other relevant authorities subject to their pricing authority and terms of reference.

With regard to the computer network services, intelligent building engineering services, computer information system integration services and related mechanical and electrical installation engineering services and other sub-contracting services of special equipment manufacturing and installation, etc. to be provided by the Group to CEC Group, government guidance pricing approach shall be used in accordance with the Pricing Quota of Construction and Decoration Engineering of Jiangsu Province (《江蘇省建築與裝飾工程計價定額》), Pricing Quota of Installation Engineering in Jiangsu Province (《江蘇省安裝工程計價定額》) and Pricing Quota of Municipal Administration Engineering in Jiangsu Province (《江蘇省市政工程計價定額》) (GB50500-2013) promulgated by the Housing and Construction Bureau of Jiangsu Province (江蘇省住房和城鄉建設廳) on 12 May 2014. In particular, the gross profit margin is not lower than 14% as prescribed in the Pricing Quota of Installation and Engineering in Jiangsu Province (《江蘇省安裝工程計價定額》). For details, please refer to the “Table of Standards on Collecting of Management Fee and Profit for Installation Engineering Enterprises (Table 4-3)” (安裝工程企業管理費和利潤取費標準表(表4-3)) of “Fixed Price for Construction Engineering of Jiangsu Province” (《江蘇省建設工程費用定額》) [Su Jian Jia 2014 (No. 299)] issued by the Housing and Construction Bureau of Jiangsu Province on 18 June 2014. The annual amount of such services is approximately RMB30 million per year, mainly due to the provision by Information Industry Company under the Group of relevant sub-contracting services for CEC Group’s land development at No. 301 Zhongshan Road East.

Market price is applicable to the technology development and services to be provided by the Group to CEC Group, and shall be determined with reference to the fees specified in the contracts between the Group and independent third parties in respect of similar and related services. The amount of such services is approximately RMB16 million per year, mainly due to the provision of the technology development and services by Communications Technology Company and the Company to the subsidiaries of CEC Group.

With regard to the SMT processing services (to be settled with charging processing fees; i.e. processing with supplied materials) to be provided by the Group to CEC Group, market prices shall apply. The pricing for the SMT processing services is determined with reference to Made-in-China.com (中國製造網) (<http://cn.made-in-china.com/catalog/smttpjg.html>).

“Made-in-China.com” (中國製造網) is one of the most referred websites for quotations within the electronic industry in the PRC.

The officers of the marketing department of the relevant subsidiaries of the Company providing the services will compile a list of the fees for SMT processing services based on the quotations obtained from the websites above for the head of the marketing department to review and approve. The head of the marketing department will then negotiate with the customers and determine the final contract fees which shall be within the range of the approved list of fees.

The composite services to be provided by the Group to CEC Group are mainly catering services for staff, property management and labor services, (1) for the fees of catering services, they are determined with reference to the quotation of set meals from Lihua Fastfood (麗華快餐) (<http://www.lihua.com/>) and Nanjing Fastfood (南京快速快餐) (<http://www.njcskc.net/>), actual operation costs of the Company and the fees adopted in contracts for similar and related services between the Company and independent third parties; (2) for the fees of providing property management and labor services, they are determined with reference to the quotations set out in the page of household services of local newspapers (such as Jinling Evening News or Modern Express) and based on the actual operating costs of the Company.



The officers of the marketing department of the relevant subsidiaries of the Company providing the services will compile a list of the service fees in accordance with the quotations obtained from the websites or newspapers above and the actual operating costs of the Company. The head of the marketing department will review and compare the fees above with those adopted by the Company and independent third parties for contracts of providing similar and related services (if any).

As at the date of this announcement, there are no relevant transactions under this agreement to which government-prescribed price is applicable.

The fees charged and terms of payment will be agreed in the separate implementation agreements entered into between the parties pursuant to the Sub-contracting 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.

9. Historical figures:

The historical amounts of sub-contracting and composite services provided by the Group to the CEC Group are as follows:

	<b>Six months ended 30 June 2021 (unaudited)</b>	<b>Year ended 31 December 2020 (audited)</b>	<b>Year ended 31 December 2019 (audited)</b>
Amount (RMB'000)	40,560	47,650	51,590

10. Proposed Annual Cap:

The Board proposes to decrease the Annual Cap from RMB160,000,000 to RMB80,000,000.

Such amount is determined with main reference to: (1) the historical transaction amounts of the sub-contracting and composite services provided by the Group to CEC Group; (2) the estimated contents, total volume, reasonable growth of amount of the services to be provided by the Group during the term of this agreement.

The reduction of RMB80 million in the Annual Cap is mainly attributable to: (1) the decrease in provision of intelligent building engineering services, computer information system integration services and related mechanical and electrical installation engineering services by Information Industry Company due to the sub-regional implementation of CEC Group's land development project in No. 301 Zhongshan Road East; and (2) the decrease in provision of catering and property management services to be provided by Xinxing Industrial Company to CEC Group.

***(B) CEC Sub-contracting Agreement: Provision of sub-contracting services and composite services by CEC Group to the Group***

1. Agreement: Agreement for the receipt of sub-contracting services and composite services
2. Date: 15 November 2021
3. Term: 1 January 2022 to 31 December 2024
4. Parties:
  - (1) the Company
  - (2) CEC
5. Nature of the transaction: The sub-contracting services provided by CEC Group to the Group are mainly technical services, raw materials for processing products or semi-manufactured products, including automatic transmission and rail transit equipment, structural parts, commissioned products and other services, and the composite services are mainly instrument testing services, property management services, equipment maintenance services and other public services; housing, medical, social recreation and other general welfare services necessary for the Group's employees (including retired employees) and their immediate families; and staff commuter transport services in the ordinary course of production and operation.
6. Existing Annual Cap: RMB13,000,000

7. Reasons for the transaction: The provision of the sub-contracting and composite services by CEC Group to the Group will provide the Group with stable and reliable services, and hence the renewal of such transaction is beneficial to and in the interest of the Group. The Company will therefore renew the agreement with CEC in respect of such sub-contracting and composite services.
8. Pricing basis and terms of payment: CEC Group is entitled to charge the Group reasonable service fees for the services provided based on the fair market principle, and the Group shall undertake the corresponding payment obligations. The service fees for the provision of sub-contracting and composite services by CEC Group to the Group shall be determined after arm's length negotiations between the parties and based on the pricing policy (as disclosed below) and normal commercial terms with reference to the prevailing market prices, namely, the service fees paid by the Group to CEC Group shall not be higher than those charged to independent third parties for the same or similar services.
- The service fees for the provision of sub-contracting and composite services by CEC Group to the Group shall be determined on a fair and equitable basis with reference to the market price, agreement price, government guidance price and government-prescribed price.
- For the purpose of this agreement, market price refers to the price paid by PRC enterprises in the same industry for receiving services 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 services provided by CEC during the previous years and considering the increases in costs for raw materials and human resources; or (2) the import price of raw materials or machinery for the relevant products for which CEC provides services in the domestic market plus the import cost to be incurred by CEC and a certain amount of profit, in case there is no supply of such raw materials or machinery in the domestic market. The Group adopts the agreement price in the absence of market price.

For the purpose of this agreement, government guidance price means the price administration authorities or other relevant government authorities stipulated a basic price and its floating ranges and the operators could within the limits of the guidance determine their own prices. For the purpose of this agreement, government-prescribed price refers to the price determined by competent pricing authorities or other relevant authorities subject to their pricing authority and terms of reference.

The sub-contracting services provided by CEC Group to the Group include mechanical processing services. The services fees charged shall be determined with reference to the fees charged by local third parties which are engaged in the mechanical processing business (quotations from two to three local independent third parties engaged in the same business would be obtained as the pricing basis and the head of the marketing department will review and approve the same to ensure the fees charged by CEC Group are no higher than the quotations offered by independent third parties).

With regard to the transport services for goods or staff in the normal course of production and operation to be provided by CEC Group to the Group, market prices shall apply. The service fees charged shall be determined with reference to the publicly available quotations in the local vehicle rental market and the quotations from the local third parties which are engaged in the commuter transport services, including the rental prices from Nanjing Wen'an Car Services Co., Ltd. (南京穩安汽車服務有限公司) (<http://www.jsqczl.com/>) and the quotations for vehicles for use in the urban area from Nanjing Tianmai Vehicle Rental Services Co., Ltd. (南京天脈汽車租賃有限公司) (<http://www.njtmzl.com>).

CEC Group provides the Group with regular health check services as the principal medical services for employees of the Group (including retired employees), to which market prices shall apply. The pricing of such transaction shall be determined with reference to the charging standards of the same or similar services provided by the medical institutions of independent third parties, such as Ikang Guobin (愛康國賓) (<https://mall.ikang.com/>).

For the transport services and the medical services, the relevant officers of the marketing departments of the relevant subsidiaries of the Group receiving the services will compile the lists of services fees based on the quotations obtained from the websites above for the head of the marketing department to review and approve. The head of the marketing departments will review them to ensure that the fees charged by CEC Group are not higher than the then prices offered by independent third parties.

In addition, CEC Group provides the Group with a small volume of instrument testing services, which are mainly regular check of the accuracy and precision of professional equipment. Government guidance prices are applicable to these services and are determined with reference to the Measured Charging Standards issued by Jiangsu Institute of Metrology (江蘇省計量科學研究院) (<http://www.jsmi.com.cn>).

For the instrument testing services, the officers of the marketing departments of the relevant subsidiaries of the Company receiving the services will compile the lists of fees in accordance with the government guidance prices. Designated officers of the marketing departments will monitor the government guidance prices for any updates on a regular basis.

As at the date of this announcement, there are no relevant transactions under this agreement to which the government-prescribed price is applicable.

Specific matters in relation to payment of service fees shall be agreed by both parties in the implementation agreements. 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.

9. Historical figures: The historical amounts of sub-contracting and composite services received by the Group from 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 (RMB'000)	7,650	12,340	12,180

10. Proposed Annual Cap: The Board proposes to increase the Annual Cap from RMB13,000,000 to RMB50,000,000.

Such amount was determined with main reference to: (1) the total transaction volume and transaction amounts of the sub-contracting and composite services received by the Group from CEC Group during the previous years; (2) the estimated contents, total volume, reasonable growth of amount of the services to be provided by CEC Group during the term of this agreement.

The increase of RMB37 million in the Annual Cap is mainly due to: (1) the increase in the demands of the Group for transport services; (2) the increase by the Group of the regular health check services for employees in accordance with relevant requirements and the decisions at the staff representatives meeting; and (3) the addition by the Group of entrusted technology development and processing services in view of business development needs.

***(C) Purchase Agreement: Purchase of raw materials, components and parts by the Group from the CEC Group***

- Agreement: Agreement for the purchase of materials, components and parts
- Date: 15 November 2021
- Term: From 1 January 2022 to 31 December 2024
- Parties:
  - the Company
  - CEC

5. Nature of transaction: Products sold by the CEC Group to the Group include: spliced LCD panel; materials, components and parts required for production of mobile communication, information, digital home and electronic equipment products; product packaging materials.
6. Existing Annual Cap: RMB80,000,000
7. Reasons for the Transaction: The Group shall have access to a stable and reliable supply of materials, components and parts by purchasing those from CEC Group. Certain equipment, components and parts required for production of equipment products of the Group including automatic transmission equipment and industrial robots still need to be purchased through import and export company of the CEC Group; the Group also needs to purchase certain LCDs with different specifications from LCD panel manufacturers of CEC for OEM and sale of consumer electronic products. Therefore, the renewal of the transaction is beneficial to the Group and in the interest of the Group. The Company will renew the agreement with CEC in respect of such purchase of materials, components and parts.
8. Pricing basis and terms of payment: The CEC Group is entitled to charge the Group reasonable prices for the products sold based on the principle of fair market, and the Group shall undertake the corresponding payment obligations. The price for purchase of materials, components and parts sold by the CEC Group to the Group shall be determined after arm's length negotiation between the parties and based on relevant pricing policy and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the CEC Group to the Group shall be no higher than those charged to independent third parties for the same or similar products.  
  
The price for sale of materials, components and parts by the CEC Group to the Group shall be determined on a fair and equitable basis with reference to the market prices.  
  
The Group adopts the agreement price in the absence of market price.

For the purpose of this agreement, market price refers to the price paid by PRC enterprises in the same industry for purchasing 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 CEC Group in accordance with the market price during the previous years 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 CEC Group and a certain amount of profit, in case there is no supply of related products sold by CEC Group in the domestic market.

With regard to the purchase of LCDs, integrated circuits, materials, etc. by the Group from CEC Group, market prices shall apply. (1) In respect of integrated circuits, pricing shall be determined with reference to the price standards of independent third party suppliers. Officers of the purchasing department of the relevant subsidiaries of the Group will compile price lists based on price comparison data, which shall be subject to approval of the head of the purchasing department. The purchase prices shall not be higher than the prices paid for the purchase of the same or similar products from independent third parties. (2) In respect of LCDs, the pricing of LCD products is affected by industrial factors, where the purchasing and selling prices are determined with reference to the change in the average market price and price level of the LCD panels published in “China TV Market Update” (《中國電視市場研究報告》) issued monthly by Sigmaintell Consulting Co., Ltd. (北京群智營銷諮詢有限公司) (<http://www.sigmaintell.com/yanjiu.php>), a company focusing on flat panel display industry research, including industry research on key components upstream, LCD panels midstream and complete machine markets downstream. Officers of the purchasing department of the relevant subsidiaries of the Group will compile the price lists based on the information obtained for the head of the purchasing department to review and approve. (3) In respect of the same or similar import agency services, the Group asks for quotations from two to three local independent third parties engaged in import and export business to ensure that the rates offered by companies engaged in import and export business under the CEC are of reference value and fairness.



Unless otherwise provided, relevant payments shall be settled within 20 days upon the individual implementation agreements taking effect. The conditions for the agreements to take effect shall be determined by both parties through negotiation, and are listed in the specific 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.

9. Historical figures:

The historical amounts of materials, components and parts purchased by the Group from 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 (RMB'000)	25,840	57,290	28,730

10. Proposed Annual Cap:

The Board proposes to reduce the Annual Cap from RMB80,000,000 to RMB50,000,000.

Such amount was determined with main reference to: (1) the total transaction volume and transaction amounts of materials, components and parts purchased by the Group from CEC Group during the previous years; (2) the estimated categories, total volume, reasonable growth of amount of the products to be sold by CEC Group and purchased by the Group during the term of this agreement.

Such decrease of the Annual Cap by RMB30 million is mainly attributable to more procurement from domestic suppliers and less procurement of materials, components and parts from import and export company of the CEC Group by relevant subsidiaries of the Group.

**Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements**

***(D) 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.

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 prices 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.

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 of the Group.

- (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/smttpjg.html>). “Made-in-China.com” is one of the most referred websites for quotations within the electronic industry in the PRC. The rates of Electronics Manufacturing Company fall within the range listed in the quotation. Officers of the marketing department of the Group’s subsidiaries will compile a SMT processing service fee list based on the quotations obtained from the above-mentioned website for the head of the marketing department to review and approve. The head of the marketing department will then discuss with customers and determine the final contract fee, which shall fall within the scope of the approved fee list.

- (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.

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.

***(E) Financial Services Agreement***

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 abovementioned financial services in accordance with the following categories and principles of services:
    - (a) Fund settlement service
      - (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.

(b) Comprehensive credit services

- (i) Including but not limited to loans in local and foreign currencies, external guarantees, acceptance and discount of commercial acceptance bills, letter of guarantee and other credit services.
- (ii) The Group obtains facilities from CEC Finance. CEC Finance calculates and charges the interests for the loans at an interest rate not higher than those offered by domestic commercial banks for the same type of loans during the same period. CEC Finance calculates the interests based on the accumulated interest method and charges interests on a quarterly basis.
- (iii) CEC Finance provides the Group with external guarantees, acceptance and discount of commercial acceptance bills, letter of guarantee, etc. The standard for the fees charged shall not be higher than the standard for the same types of fees charged by domestic commercial banks during the same period.

(c) Other financial services

CEC Finance provides the Group with other financial services such as fund management, issuance of bank acceptance bills, entrusted agency, issuance of fund certificates and general planning and consulting, special financial advisory service, etc.

- (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) CEC Finance shall adequately utilize its financial resources advantages and financial professional advantages to provide financial consultancy on specialized financing such as issuance of corporate bonds and mid-term notes and specialized underwriting services. The standard of fees charged by CEC Finance for these types of specialized financial consultancy services shall not be higher than the standard of fees charged by domestic financial institutions during the same period.
- (5) The Group agrees to give preference to the financial services of CEC Finance within the cap provided in the Financial Services Agreement. 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.

- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.

6. Existing Annual Caps: (1) Fund settlement services: RMB500,000,000; and  
(2) Comprehensive credit services: RMB600,000,000.
- 7 Reasons for the transaction: Prior to the renewal of 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 and loans as well as favourable rates for various financial services 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.

Given the current monetary policies and the liberalization of interest rate, there are greater possibility and uncertainty on the fluctuation of financing costs, while the liquidity also has greater uncertainty. As such, the Company intends to maintain comprehensive credit line from CEC Finance to obtain stable and reliable financing channels and credit line to diversify and minimize the influence arising therefrom.

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.

8. Pricing policy:

Pursuant to the Financial Services Agreement, 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) Fund settlement services

The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period. CFC Finance will not charge the Group for any other services within this category.

(2) Comprehensive credit services

The interest rate of loans shall not be higher than those provided by domestic commercial banks for the same type of loans during the same period.

The guarantee fees payable by the Group to CEC Finance shall not be higher than the standard for fees charged by domestic commercial banks for external guarantees during the same period.

(3) Other financial services

The standard for the fees charged by CEC Finance for the other financial services provided to the Group mentioned above shall not be higher than the standard for the same types of fees charged by domestic commercial banks during the same period.

(4) During the term of Financial Services Agreement, if the Group signs an agreement with a domestic commercial bank, pursuant to which the interest rates for deposits and loans 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, CEC Finance shall, in accordance with the requirements of the Group, adjust the aforementioned interest rates for deposits and loans 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, 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.

9. Historical figures:

The historical amounts of the balance of fund settlement service and comprehensive credit services provided by CEC Finance to the Group 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
Comprehensive credit services ( <i>RMB'000</i> )	22,120	14,160	72,150

*Remark:* In 2019 and 2020 and the period from January to June 2021, the amounts of the balance of fund settlement service and comprehensive credit services of the Group did not exceed the caps for the corresponding years.

10. Proposed Annual Cap: (1) Fund settlement services:

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.

(2) Comprehensive credit services:

The maximum daily balance of loans and other comprehensive credit services provided by CEC Finance to the Group shall not exceed RMB600,000,000 during the term of Financial Services Agreement. Such amount 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.

(3) Other financial services:

The annual cap on the amount of other financial services provided by CEC Finance to the Group during the term of the Financial Service Agreement shall not exceed RMB2,000,000, 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;

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) SMT Chip processing services and composite services under the Sub-contracting Agreement;
  - (B) sub-contracting services and composite services under the CEC Sub-contracting Agreement;
  - (C) the Purchase Agreement;
  - (D) provision of raw materials, components and parts under the Sale Agreement; and
  - (E) 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) SMT Chip processing services and composite services under the Sub-contracting Agreement;



- (B) sub-contracting services and composite services under the CEC Sub-contracting Agreement;
  - (C) the Purchase Agreement; and
  - (D) 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 (D) the Sale Agreement.
- (iv) Government-guidance prices: in respect of (A) the Sub-contracting Agreement, government-guidance prices shall be adopted for the intelligent building engineering services, integration of computer information system (including computer network services) and related mechanical and electrical installation engineering services engaged in by the Group. The pricing of such services is in accordance with the Pricing Quota of Construction and Decoration Engineering of Jiangsu Province (《江蘇省建築與裝飾工程計價定額》), Pricing Quota of Installation Engineering in Jiangsu Province (《江蘇省安裝工程計價定額》) and Pricing Quota of Municipal Administration Engineering in Jiangsu Province (《江蘇省市政工程計價定額》) (GB50500–2013) promulgated by the Housing and Construction Bureau of Jiangsu Province (江蘇省住房和城鄉建設廳) on 12 May 2014. In particular, the gross profit margin is not lower than 14% as prescribed in the Pricing Quota of Installation Engineering in Jiangsu Province. The officers of the marketing department will prepare the price list in accordance with the government-guidance pricing for the head of the

marketing department to review and approve. Further, a designated officer of the marketing department will keep track of any updates on the government-guidance price on a regular basis. The government-guidance price is also adopted for the instrument testing services provided under (B) the CEC Sub-contracting Agreement.

- (v) Government-prescribed prices: as at the date of this announcement, 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 Service Agreement, 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 Service Agreement, 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 Service Agreement, CEC Finance shall, in accordance with the requirements, adjust the aforementioned interest rates for deposits and loans and relevant fees to the same or more favourable standards compared with those provided by such domestic commercial bank.

## 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.

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.

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) CEC Finance not in compliance with any of the gearing ratio requirements under Article 34 of the Measures for the Administration of Finance Companies of Enterprise Groups”(《企業集團財務公司管理辦法》);
- (3) CEC Finance encounters any run on deposits, insolvency, substantial amount of overdue loans or guarantee advances (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.

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

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



It is expected that the provision of the sub-contracting services and composite services agreement and the agreement on the sale of materials, components and parts 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 through the acceptance of the sub-contracting services and composite services agreement and the agreement on the purchase of 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 Group had renewed relevant agreements with relevant counterparties under CEC and CEC Finance in relation to such continuing connected transactions.

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

Taking into account the above, the Directors (including the independent non-executive Directors) are of the view that the renewal of CEC Sub-contracting Agreement, Sub-contracting Agreement and Purchase Agreement is favorable to the stability of the production and operation of the Company, and the terms of these agreements are fair and reasonable. These agreements will be conducted on normal commercial terms in the usual course of business and are 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.

Taking into account the above, the Directors (of which the independent non-executive Directors will express their opinions on the relevant continuing connected transactions to the Independent Shareholders after receiving advice from the Independent Financial Adviser) 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.

## **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.

Since the comprehensive credit services contemplated under the Financial Services Agreement is, for the benefit of the Group, on normal commercial terms and not secured by the assets of the Group, the comprehensive credit services transactions are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules. Meanwhile, given the applicable percentage ratios for the other financial services transactions contemplated under the Financial Services Agreement, such other financial services transactions fall within the de minimis exemption under Rule 14A.76 of the Listing Rules and therefore will be exempt from all the reporting, announcement and Independent Shareholders' approval requirements.

As one or more of the respective applicable percentage ratios for the transactions contemplated under the Sub-contracting Agreement, the CEC Sub-contracting Agreement, and the Purchase Agreement are below 5% but higher than 0.1%, such transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the 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 PEG, 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 PEG, they have abstained from voting on the resolutions regarding the transactions contemplated under the CCT Agreements at the relevant Board meeting. Save for the disclosed above, as at the date when the Board considered the abovementioned resolutions, no other Directors have any material interest in the renewed continuing connected transactions and the adjusted Annual Caps and therefore no other Directors have abstained from voting on such resolutions of the Board.

## **7. GENERAL INFORMATION**

CEC, PEG and their associates will abstain from voting on the resolutions to approve the above continuing connected transactions at the EGM.

The Company has established the Independent Board Committee to advise the Independent Shareholders on the renewal of the Sale Agreement and Financial Services Agreement (fund settlement service). Gram Capital was appointed as the Independent Financial Adviser to advise Independent Board Committee and the Independent Shareholders on the renewal of the Sale Agreement and Financial Services Agreement.

A circular containing, among other things, (i) further details on the renewal of the continuing connected transactions under the Sale Agreement and the Financial Services Agreement (fund settlement service), (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser 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), will be dispatched to the Shareholders on or before 6 December 2021 in accordance with the relevant requirements of the Hong Kong Listing Rules.

## 8. INFORMATION ON THE PARTIES

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

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

CEC Finance is a subsidiary of CEC. CEC Finance'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.

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.

## 9. DEFINITIONS

In this announcement, 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) Sub-contracting Agreement, (B) CEC Sub-contracting Agreement, (C) Purchase Agreement, (D) Sale Agreement; and (E) Financial Services Agreement;
“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 announcement excluding the Group), its holding companies and their respective associates;
“CEC Sub-contracting Agreement”	the sub-contracting services and composite services agreement entered into between the Company and CEC for the provision of services by CEC Group to the Group;
“Communications Technology Company”	Nanjing Panda Communications Technology Co., Ltd. (南京熊貓通信科技有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
“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;
“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 Sale Agreement and the Financial Services Agreement (fund settlement service) and the annual caps thereunder;
“Electronics Equipment Company”	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊貓電子裝備有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
“Electronics Manufacturing Company”	Nanjing Panda Electronics Manufacturing Co., Ltd. (南京熊貓電子製造有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;

“Financial Services Agreement”	the financial cooperation agreement entered into between the Company and CEC Finance for the provision of financial services by CEC Finance to the Group;
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Hong Kong Securities and Futures Ordinance and an 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;
“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;
“Information Industry Company”	Nanjing Panda Information Industry Co., Ltd. (南京熊貓信息產業有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;

“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 announcement;
“PEGL Group”	PEGL and its subsidiaries;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“Purchase Agreement”	the agreement on the purchase of materials, components and parts entered into between the Company and CEC for the purchase of materials by the Group from CEC Group;
“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;

“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;
“Sub-contracting Agreement”	the sub-contracting services and composite services agreement entered into between the Company and CEC for the provision of services by the Group to CEC Group;
“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;
“Xinxing Industrial Company”	Nanjing Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company; and
“%”	per cent.

By Order of Board  
**Nanjing Panda Electronics Company Limited**  
**Zhou Guixiang**  
*Chairman*

Nanjing, the People’s Republic of China  
15 November 2021

*As at the date of this announcement, the Board comprises Executive Directors: Mr. Zhou Guixiang, Mr. Li Renzhi and Mr. Xia Dechuan; Non-executive Directors: Mr. Shen Jianlong, Mr. Deng Weiming and Mr. Li Changjiang; and Independent Non-executive Directors: Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio.*