
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Nanjing Panda Electronics Company Limited**, you should at once hand this circular and the accompanying 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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS TRANSFER OF PROPERTY

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



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 10 of this circular. A letter from the Independent Board Committee is set out on pages 11 to 12 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 23 of this circular. The EGM will be held on Thursday, 30 November 2017 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 together with the reply slip are enclosed with this circular. 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 October 2017

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DEFINITIONS

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

“Agreement”	the property disposal agreement (物業處置協議) entered into amongst the Company, PEGL and Investment Development Company on 21 September 2017 in respect of the Transaction;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CEC”	China Electronics Corporation (中國電子信息產業集團有限公司), the controlling shareholder of NEIC;
“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, whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Shanghai Stock Exchange;
“Compensation Properties”	the first floor, mezzanine floor, the second to the fourth floors and the fourteenth to the seventeenth floors in Building A of the research centre developed and constructed by PEGL and Investment Development Company on Land Lot 301, with an estimated total area of approximately 29,547.05 sq.m., particulars of which are set out in the Agreement and this circular;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened and held on Thursday, 30 November 2017 to consider and (if thought fit) approve, the Agreement and the Transaction;
“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 the Laws of Hong Kong), and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Transaction contemplated thereunder;

DEFINITIONS

“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;
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun;
“Independent Shareholders”	Shareholders other than PEGL and its associates;
“Investment Development Company”	Nanjing Panda Investment Development Company Limited (南京熊貓投資發展有限公司), a wholly-owned subsidiary of PEGL;
“Latest Practicable Date”	6 October 2017 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Mr. Chen”	Mr. Chen Kuanyi, an executive Director;
“Mr. Deng”	Mr. Deng Weiming, a non-executive Director;
“Mr. Lu”	Mr. Lu Qing, a non-executive Director;
“Mr. Xu”	Mr. Xu Guofei, an executive Director;
“NEIIC”	Nanjing Electronics Information Industrial Corporation (南京中電熊貓信息產業集團有限公司), holding 100% of the equity interests in PEGL as at the date of this circular;
“PEGL”	Panda Electronics Group Limited (熊貓電子集團有限公司), the controlling shareholder of the Company who is in a position to control the composition of a majority of the Board and 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;

DEFINITIONS

“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
“Property”	the No.54 building, together its ancillary facilities and structures erected on No.301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, which is owned by the Company;
“Property Ownership Certificate”	the property ownership certificate(s) (房產權證) in relation to the Compensation Properties to be issued by the relevant PRC authority;
“Proxy Form”	the form of proxy for use at the EGM;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the share(s) of the Company;
“Shortfall”	the difference between the transaction price of the Compensation Properties as adjusted in accordance with the area as stated in the Property Ownership Certificate and the Property Transaction Price;
“sq.m”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transfer of the Property by the Company and transfer of the Compensation Properties to the Company as compensation pursuant to the Agreement;
“%”	per cent.

The English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this circular, for the purposes of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.188. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or another rate or at all.

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. Xu Guofei (*Chairman*)

Mr. Chen Kuanyi

Mr. Xia Dechuan

Non-executive Directors

Mr. Lu Qing

Mr. Deng Weiming

Mr. Gao Gan

Independent non-executive Directors

Ms. Du Jie

Mr. Chu Wai Tsun, Vincent

Mr. Zhang Chun

Registered Address:

Level 1-2, Block 5,
North Wing, Nanjing High
and New Technology
Development Zone,
Nanjing, the PRC

Office Address:

7 Jingtian Road
Nanjing, the PRC
Postal Code: 210033

13 October 2017

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
TRANSFER OF PROPERTY**

INTRODUCTION

Reference is made to the announcement of the Company dated 21 September 2017 in relation to the Transaction under the Agreement.

The purpose of this circular is to provide you with (i) further details of the Agreement; (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 Agreement and (iv) a notice of the EGM.

LETTER FROM THE BOARD

BACKGROUND INFORMATION

According to the development planning of the Nanjing government, No. 301 land lot at Zhongshan East Road, Nanjing, the PRC (the “**Land Lot 301**”) will be developed into a science and technology new park to serve as a hub for modern electronic information industry, and the development project of the Land Lot 301 has been listed as a key construction project of Nanjing. In this connection, the Nanjing government has adopted an overall development plan and handed it over to PEGL and Investment Development Company to take charge of the development and construction of the Land Lot 301 (the “**Project**”). The Property owned by the Company is situated on the Land Lot 301, occupying a portion of the land for the Project.

In order to safeguard the interests of the Company and its Shareholders as a whole, upon arm’s length negotiations with PEGL and Investment Development Company, the Company intends to deliver the Property to PEGL, while PEGL and Investment Development Company will compensate the Company by transferring the Compensation Properties to the Company as consideration. The Company shall pay the Shortfall to Investment Development Company.

On 21 September 2017, the Company entered into the Agreement with PEGL and Investment Development Company in respect of the Transaction, pursuant to which the Company has undertaken to deliver the Property to PEGL within thirty working days after the Agreement takes effect and PEGL and Investment Development Company have undertaken to execute the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) for the Compensation Properties before the delivery of the Property to PEGL, complete the filing procedures with the competent PRC real estate authorities within thirty working days after the execution of the contract and transfer the Compensation Properties to the Company by no later than 31 December 2018. The Company shall pay the Shortfall to Investment Development Company.

THE AGREEMENT

Date: 21 September 2017

Parties: (1) the Company
(2) PEGL
(3) Investment Development Company

Condition Precedent

The Agreement shall take effect upon approval by the Independent Shareholders of the Company.

Transfer

Pursuant to the Agreement, the Company has undertaken to deliver the Property to PEGL within thirty working days after the Agreement takes effect.

LETTER FROM THE BOARD

Compensation Scheme

PEGL and Investment Development Company have undertaken to compensate the Company for transfer of the Property in the following manner:

- (a) as the construction work for the Compensation Properties has not completed yet, the parties will execute the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) for the Compensation Properties before the delivery of the Property to PEGL in accordance with the requirements of the PRC law and regulations, the filing procedures with the competent PRC real estate authorities shall be completed within thirty working days after the execution of the contract and the Compensation Properties shall be delivered to the Company by no later than 31 December 2018;
- (b) the Compensation Properties shall be delivered in bare-shell condition and be in compliance with the PRC national quality and safety standards and the PRC national completion inspection and acceptance standards; and
- (c) the Compensation Properties are expected to be used for research and office purposes.

The Compensation Properties to be used as the consideration for the Transaction represent a number of units with an aggregate area of approximately 29,547.05 sq.m. in Building A of the research centre situated at Land Lot 301, the land for a project developed and constructed by PEGL and Investment Development Company.

Basis for Determination of the Compensation

The Company has respectively engaged Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) as an independent valuer in the PRC and Vigers Appraisal and Consulting Limited as an independent valuer pursuant to the Hong Kong regulatory requirements to issue valuation reports on the Property and the Compensation Properties respectively.

Valuation of the Property

Pursuant to the valuation report issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), as at the valuation reference date (i.e. 31 December 2016), the appraised value of the Property is RMB671,540,000.

Pursuant to the valuation report issued by Vigers Appraisal and Consulting Limited, as at the valuation date (i.e. 31 August 2017), the market value of the Property in its existing state is RMB667,500,000.

LETTER FROM THE BOARD

Valuation of the Compensation Properties

Pursuant to the valuation report issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), as at the valuation reference date (i.e. 31 December 2016), the estimated aggregate value of the Compensation Properties is RMB691,698,297.

Pursuant to the valuation report issued by Vigers Appraisal and Consulting Limited, the market value on the assumption of the Compensation Properties being completed on the valuation date (i.e. 31 August 2017) is RMB693,810,000.

Transaction Price

The transaction price has been determined by the parties after arm's length negotiations with reference to the valuations of the Property and the Compensation Properties as conducted by the relevant independent valuers. As agreed among the parties to the Agreement, the transaction price for the Property was determined at RMB671,540,000 (equivalent to approximately HK\$797,789,520) (the "**Property Transaction Price**"), and the transaction price for the Compensation Properties was initially determined at RMB691,698,297 (equivalent to approximately HK\$821,737,577). Particulars of the Compensation Properties are set out below.

No.	Floors of the Compensation Properties	Estimated area (sq.m.)	Agreed unit price (RMB/sq.m.)	Estimated price (RMB)
1.	First floor	3,046.33	48,200	146,833,106
2.	Mezzanine floor	1,086.36	41,900	45,518,484
3.	Second floor	2,607.04	18,700	48,751,648
4.	Third floor	3,451.01	18,700	64,533,887
5.	Fourth floor	3,290.86	18,700	61,539,082
6.	Fourteenth floor	4,099.66	20,200	82,813,132
7.	Fifteenth floor	4,090.59	20,200	82,629,918
8.	Sixteenth floor	4,090.60	20,200	82,630,120
9.	Seventeenth floor	3,784.60	20,200	76,448,920
		<hr/>		<hr/>
Total		<u>29,547.05</u>		<u>691,698,297</u>

LETTER FROM THE BOARD

Settlement of the Shortfall

As the above area for each of the Compensation Properties is an estimate and is subject to the area stated in the Property Ownership Certificate, the price of the Compensation Properties is thus subject to adjustment. The final value of the Compensation Properties will be determined based on the area stated in the Property Ownership Certificate multiplied by the relevant agreed unit price as stated in the table on page 4 herein. These agreed unit prices are fixed. It is estimated that the corresponding Shortfall shall be payable by the Company to Investment Development Company and the parties agree that the maximum amount of such Shortfall shall not exceed RMB30,000,000. If the Shortfall payable by the Company as calculated based on the actual calculations (i.e. calculated based on the above relevant agreed unit price) exceeds RMB30,000,000, the parties to the Agreement agree that the Company only needs to pay RMB30,000,000.

The maximum amount payable for the Shortfall (i.e. RMB30,000,000) was determined based on (1) the amount of RMB20,158,297 being the difference of between the estimated value of the Compensation Properties (i.e. RMB691,698,297) as assessed based on the estimated area of the Compensation Properties multiplied by the agreed unit price, and the Property Transaction Price (i.e. RMB671,540,000); and (2) as the estimated area of the Compensation Properties may be different from the final area as stated in the Property Ownership Certificate, the final value of the Compensation Properties is thus subject to adjustment. On the basis of the above estimated shortfall and possible adjustment, the parties have agreed that the maximum Shortfall payable by the Company will not be higher than RMB30,000,000.

As agreed among the parties to the Agreement, the shortfall shall be determined within five working days after the Company received the Property Ownership Certificate. The specific time for payment of the Shortfall shall be determined in accordance with the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) in relation to the Compensation Properties to be entered into between the Company and Investment Development Company and in any event no later than two years after the delivery of the Compensation Properties to the Company. The Shortfall will be settled by the Company with its internal resources.

Taxation

Values and prices contained in the Agreement are all tax exclusive; taxes and fees arising from the property disposal herein shall be paid/settled in accordance with the requirements of relevant laws and regulations of the PRC.

INFORMATION ON THE PROPERTY AND THE COMPENSATION PROPERTIES

The Property being the No. 54 building and its ancillary facilities and structures erected on No.301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, with a site area of 5,880.10 sq.m. and a gross floor area of 52,895.51 sq.m.. The Property is mainly for research and office purposes. As at 30 June 2017, the unaudited book value of the Property was approximately RMB81,491,600 (equivalent to approximately HK\$96,812,021).

LETTER FROM THE BOARD

The Property was used by the Company for plant, research and office purposes. At present, the Property is vacant and neither used for production and office purposes, nor leased out. The transfer of the Property will not cause any disruption to the operations of the Group. No income was recorded from the Property for the two financial years ended 31 December 2015 and 31 December 2016.

The Compensation Properties, situated on No. 301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, comprise the first floor, the mezzanine floor, the second to the fourth floors and the fourteenth to the seventeenth floors in Building A of the research centre developed and constructed by PEGGL and Investment Development Company on Land Lot 301, with an estimated total area of approximately 29,547.05 sq.m.. The Compensation Properties are expected to be used for research and office purposes.

Investment Development Company has good legal title to Building A of the research centre which has been topped off, and has obtained Nanjing Commodity Property Presale Permit (Ning Fang Xiao No. 2017100104) (《商品房預售許可證》(寧房銷第2017100104號)). Thus, Investment Development Company has the legal right to sell the Compensation Properties.

As mentioned under the paragraph headed “Background Information”, the Property situates at the Land Lot 301, which is a part of development project of the Land Lot 301, i.e. the Project. In accordance with the overall development plan of the Nanjing government, the Company is required to surrender the Property as affected by the Project. Building A of the research centre also situates at the Land Lot 301, where the Compensation Properties located at, is the newly constructed research centre for the Project and has been topped off and interior construction work has already been commenced. Compensation Properties will not be affected by the subsequent development of the Project. According to the development planning of the Nanjing government, the Land Lot 301 will be developed into a science and technology new park to serve as a hub for modern electronic information industry, and the Project has been listed as a key construction project of Nanjing. Building A of the research centre situated at the Land Lot 301 is a component of the Project.

There will be a possible time gap between the transfer of the Property to PEGGL and the delivery of the Compensation Properties to the Company. However, as mentioned hereinabove, the Property has been vacated and the transfer of the Property will not cause any disruption to the operations of the Group.

Since the development project of the Land Lot 301 where the Property situates has been listed as a key construction project of Nanjing, the Company has been carried out the relocation progressively as planned and in compliance with the overall development planning and the schedule of Nanjing Government. The Company and its relevant departments have relocated and started works and operations in the Panda Electronic Manufacturing Park (熊貓電子製造園) and Panda Electronic Equipment Industrial Park (熊貓電子裝備園). Thus, such time gap will not cause any material adverse impact on the operation and financial position of the Group.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSFER

According to the development planning of the Nanjing government, the Land Lot 301 will be developed into a science and technology new park to serve as a hub for modern electronic information industry, and the development project of the Land Lot 301 has been listed as a key construction project of Nanjing. In this connection, the Nanjing government has adopted an overall development plan and handed it over to PEGL and Investment Development Company to take charge of the Project. The Property owned by the Company is situated on the Land Lot 301, occupying a portion of the land for the Project.

Having considered the following factors, the Directors (including the independent non-executive Directors) consider the compensation scheme and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole:

- (a) the transfer is conducted according to the development planning of the relevant PRC government authority;
- (b) the transfer will not have any material impact on the principal operations and financial position of the Group;
- (c) as the Company currently focuses on intelligent manufacturing and smart city-related business and is in need of more research and development bases, the Compensation Properties will satisfy the need for more research and development bases in a timely manner;
- (d) the underlying lands of the Compensation Properties are for commercial purpose and the Compensation Properties are expected to be used for research and office purposes, which may be adjusted for other uses according to the development plan of the Company in the future, thus it is more beneficial for the Company in terms of preserving the value of property in the long run; and
- (e) the compensation scheme was determined with reference to the valuations of the Property and the Compensation Properties prepared by two independent valuers, and the differences between such valuations prepared by the two independent valuers are insignificant.

The exchange of the Property and the Compensation Properties (took into account of the Shortfall) is an exchange of non-monetary assets of no commercial substances. The unaudited book value of the Property as at date of title transfer, together with relevant taxes payable, will be taken as the cost for the Compensation Properties, and no income and gain or loss will be recognized in respect of the exchange as cash will be paid only for the relevant taxes and the Shortfall. Therefore, there will be no material impact on the financial position of the Company.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Agreement after taking into account the recommendations of Gram Capital.

LETTER FROM THE BOARD

Taking into account the above, the Directors (including the independent non-executive Directors considering the advice from the Independent Financial Adviser) consider that though the Transaction is not in the ordinary and usual course of business of the Group, the terms of the Agreement are fair and reasonable, on normal commercial terms, and are in the interest of the Company and all Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

PEGL is the controlling shareholder of the Company, and Investment Development Company is a wholly-owned subsidiary of PEGE, hence, the Agreement and the Transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is more than 5% but less than 25%, the Agreement and the Transaction contemplated thereunder constitute a discloseable and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Group is principally engaged in the development, manufacture and sales of electronic equipment products, electronic intelligent products, communication technology products and electronic manufacturing business.

The PEGE Group is principally engaged in the development, manufacture and sale of communication equipment, computer and other electronic equipment; instruments and apparatus, cultural and office machines; electricity transmission, distribution and control equipment; environmental protection, public safety and other equipment; financial tax control products, power supply products; computer services, software and system integration; as well as sale and technical support services for the products developed by the PEGE.

Investment Development Company is mainly engaged in investment management; property management; real estate development and real estate agency.

THE EGM

A notice convening the EGM to be held on Thursday, 30 November 2017 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China is enclosed with this circular.

LETTER FROM THE BOARD

The register of members relating to H-shares of the Company will be closed from 31 October 2017 to 30 November 2017, 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 46th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 30 October 2017.

Pursuant to Chapter 14A of the Listing Rules, any Shareholder with a material interest in the Agreement and the Transaction will not vote on such resolutions(s).

As at the Latest Practicable Date, PEGL is a controlling shareholder of the Company, holding approximately 23.05% of the total issued share capital of the Company, while NEIIC holds 100% equity interests in PEGL. In addition, NEIIC holds, directly and through asset management plans approximately 6.93% of the total issued share capital of the Company. In total, NEIIC holds 29.98% of the total issued share capital of the Company. CEC is the controlling shareholder of NEIIC and holds 72.19% of the issued share capital of NEIIC.

As disclosed in Appendix II to this circular, Mr. Xu holds offices in CEC, NEIIC and PEGL and holds approximately 0.00028% of the total issued share capital of the Company, Mr. Chen holds office in NEIIC, Mr. Lu holds office in NEIIC and PEGL and Mr. Deng holds office in PEGL, and are all therefore connected persons of the Company and had abstained from voting on the relevant resolution(s) of the Board in respect of the Agreement and the Transaction.

Mr. Xu, who holds approximately 0.00028% of the total issued share capital of the Company, is a connected person of the Company. Mr. Xu holds offices in CEC, NEIIC and PEGL as disclosed in Appendix II to this circular. Therefore, CEC, NEIIC, PEGL and its associates and Mr. Xu will be required to abstain from voting on the resolution(s) in respect of the Agreement and the Transaction.

Save as disclosed above, no other associates of CEC, NEIIC or PEGL holds any shares in the Company and will be required to abstain from voting on the resolution(s) in respect of the Agreement and the Transaction.

PROXY ARRANGEMENT

The Proxy Form is enclosed with this circular. 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.

LETTER FROM THE BOARD

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.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Transaction and the Agreement though not in the ordinary and usual course of business of the Group, the terms of the Agreement are fair and reasonable, on normal commercial terms, 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 resolution(s) to be proposed at the EGM.

The text of the letter from the Independent Board Committee is set out on pages 11 to 12 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 13 to 23 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

ADDITIONAL INFORMATION

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

By order of the Board
Nanjing Panda Electronics Company Limited
Xu Guofei
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 October 2017

To the Independent Shareholders

DISCLOSEABLE AND CONNECTED TRANSACTIONS TRANSFER OF PROPERTY

We refer to the circular of Nanjing Panda Electronics Company Limited dated 13 October 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in connection with the Transaction, details of which are set out in the “Letter from the Board” of the Circular. Your attention is also drawn to the additional information set out in the appendices to the Circular.

Gram Capital Limited has been engaged to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transaction, and whether it is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

We wish to draw your attention to the “Letter from Gram Capital” as set out on pages 13 to 23 of the Circular, which contains its advice and recommendation to us and the Independent Shareholders and its recommendation to the Independent Shareholders as to how to vote in respect of the ordinary resolution to be proposed at the EGM to approve the Transaction.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the reasons for and benefits of the Transaction as set out in the Circular, the terms of the Transaction, the reasons considered by, and the opinion of, Gram Capital as stated in its letter of advice, and the relevant information contained in the Letter from the Board, we are of the opinion that the Transaction though not in the ordinary and usual course of business of the Group, is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,

Independent Board Committee

Ms. Du Jie

Mr. Chu Wai Tsun, Vincent

Mr. Zhang Chun

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 Transaction 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 October 2017

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

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION TRANSFER OF PROPERTY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 October 2017 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 21 September 2017, the Company entered into the Agreement with PEGL and Investment Development Company in respect of the Transaction, pursuant to which the Company has undertaken to deliver the Property to PEGL within thirty working days after the Agreement takes effect, and PEGL and Investment Development Company have undertaken to execute the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) before delivery of the Property to PEGL, complete the filing procedures with the competent PRC real estate authorities within thirty working days after the execution of the contract and transfer the Compensation Properties to the Company by no later than 31 December 2018. The Company shall pay the Shortfall to Investment Development Company.

With reference to the Board Letter, the Transaction constitutes a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Ms. Du Jie, Mr. Chu Wai Tsun, Vincent and Mr. Zhang Chun (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are fair and reasonable; (ii) whether the Agreement is on normal commercial terms; (iii) whether the Transaction is 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 (iv) how the Independent Shareholders should vote in respect of the resolution to approve the Agreement and the Transaction 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, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in the circular dated 10 December 2015 in respect of the continuing connected transactions for the Company. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent 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 Transaction. 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 Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, PEGL, Investment Development Company or their respective subsidiaries, and we have not been furnished with any such evaluation or appraisal, save as and except for (i) the valuation report on the Property issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) (the "**PRC Valuer**") (the "**PRC Property Valuation Report**"); (ii) the valuation report on the Property issued by Vigers Appraisal and Consulting Limited (the "**HK Valuer**") (the "**HK Property Valuation Report**"); (iii) the valuation report on the Compensation Properties issued by the PRC Valuer (the "**PRC Compensation Properties Valuation Report**"); and (iv) the valuation report on the Compensation Properties issued by the HK Valuer (the "**HK Compensation Properties Valuation Report**"). Since we are not experts in the valuation of land and/or properties, we have relied solely upon the HK Property Valuation Report and the HK Compensation Properties Valuation Report for the valuations of the Property and the Compensation Properties.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the 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 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, PEGL, and the Investment Development Company or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. 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 while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transaction

Business overview of the Group

The Group is principally engaged in the development, manufacturing and sales of electronic equipment products, electronic intelligent products, communication technology products and electronic manufacturing business.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2017 and the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 and the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”):

	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the year ended 31 December 2015	Change from 2015 to 2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>%</i>
	(unaudited)	(audited)	(audited)	
Total operating revenue	1,751,575,928.03	3,702,763,356.54	3,613,482,935.50	2.47
Operating profit	69,383,686.58	138,974,611.87	210,643,445.79	(34.02)
Net profit attributable to the parent company owners	44,885,550.09	119,240,512.92	143,836,663.39	(17.10)

As illustrated by the above table, total operating revenue of the Group increased to approximately RMB3,703 million for the year ended 31 December 2016 (“**FY2016**”), representing an increase of approximately 2.47% as compared to that for the year ended 31 December 2015 (“**FY2015**”). The Group’s operating profit and net profit attributable to the parent company owners decreased by approximately 34.02% and 17.10% respectively in FY2016 as compared to FY2015. According to the 2016 Annual Report, the decrease in profit was due to the increasing technical labor costs and declining prices of major projects, major construction works and processing services.

With reference to the 2016 Annual Report, in 2017, the Group will endeavor to make breakthroughs in core technologies to lift the level of industrialization, implement the supply-side reform and various measures designed for advancing quality and efficiency and strengthen cooperation with enterprises at home and abroad, in an effort to achieve the scale development of its principal business and make breakthroughs in its core independent intellectual property rights.

Information on PEGL Group and Investment Development Company

With reference to the Board Letter, PEGL Group is principally engaged in the development, manufacture and sale of communication equipment, computer and other electronic equipment; instruments and apparatus, cultural and office machines; electricity transmission, distribution and control equipment; environmental protection, public safety and other equipment; financial tax control products, power supply products; computer services, software and system integration; as well as sale and technical support services for the products developed by the PEGL.

LETTER FROM GRAM CAPITAL

Investment Development Company is mainly engaged in investment management; property management; real estate development and real estate agency.

Information on the Property and the Compensation Properties

With reference to the Board Letter, the Property being the No. 54 building and its ancillary facilities and structures erected on No. 301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, with a site area of 5,880.10 sq.m. and a gross floor area of 52,895.51 sq.m.. The Property is mainly for research and office purposes.

The Property was used by the Company for plant, research and office purposes. At present, the Property is vacant and neither used for production and office purposes, nor leased out. The transfer of the Property will not cause any disruption to the operations of the Group. No income was recorded from the Property for the two financial years ended 31 December 2015 and 2016.

With reference to the Board Letter, the Compensation Properties, situated on No. 301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, comprise the first floor, the mezzanine floor, the second to the fourth floors and the fourteenth to the seventeenth floors in Building A of the research centre developed and constructed by PEGL and Investment Development Company on Land Lot 301, with an estimated total area of approximately 29,547.05 sq.m.. The Compensation Properties are expected to be used for research and office purposes.

Reasons for and benefits of the Transfer

With reference to the Board Letter, according to the development planning of the Nanjing government, the Land Lot 301 will be developed into a science and technology new park to serve as a hub for modern electronic information industry, and the development project of the Land Lot 301 has been listed as a key construction project of Nanjing. In this connection, the Nanjing government has adopted an overall development plan and handed it over to PEGL and Investment Development Company to take charge of the Project. The Property owned by the Company is situated on the Land Lot 301, occupying a portion of the land for the Project.

Having considered the following factors, the Directors is of the opinion that the compensation scheme and the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole:

- (a) the transfer is conducted according to the development planning of the relevant PRC government authority;

LETTER FROM GRAM CAPITAL

- (b) the transfer will not have any material impact on the principal operations and financial position of the Group;
- (c) as the Company currently focuses on intelligent manufacturing and smart city-related business and is in need of more research and development bases, the Compensation Properties will satisfy the need for more research and development bases in a timely manner;
- (d) the underlying lands of the Compensation Properties, are for commercial purpose and the Compensation Properties are expected to be used for research and office purposes, which may be adjusted for other uses according to the development plan of the Company in the future, thus it is more beneficial for the Company in terms of valuation of property in the long run; and
- (e) the compensation scheme was determined with reference to the valuations of the Property and the Compensation Properties prepared by two independent valuers, and the differences between such valuations prepared by the two independent valuers were insignificant.

For our due diligence purpose, we obtained the above-mentioned development planning of the relevant PRC government authority from the Company. We also discussed with the Directors regarding the Property and the Compensation Properties. At present, the Property is vacant and neither used for production and office purposes, nor leased out. As for the Compensation Properties, the Directors consider that it is newly built and are suitable for the future development of the Company.

With reference to the Board Letter, there will be a possible time gap between the transfer of the Property to PEGL and the delivery of the Compensation Properties to the Company. However, as mentioned above, the Property has been vacated and the Transaction will not cause any disruption to the operations of the Group.

Since the development project of the Land Lot 301 where the Property situates has been listed as a key construction project of Nanjing, the Company has been carried out the relocation progressively as planned and in compliance with the overall development planning and the schedule of Nanjing Government. The Company and its relevant departments have relocated and started works and operations in the Panda Electronic Manufacturing Park (熊貓電子製造園) and Panda Electronic Equipment Industrial Park (熊貓電子裝備園). Thus, such time gap will not cause any material adverse impact on the operation and financial position of the Group.

We also noticed that there is no material difference between (i) the valuation of the Property as at 31 December 2016 according to the PRC Property Valuation Report (the “**PRC Property Valuation**”) and the valuation of the Property as at 31 August 2017 according to the HK Property Valuation Report (the “**HK Property Valuation**”); and (ii) the valuation of the Compensation Properties as at 31 December 2016 according to the PRC Compensation Properties Valuation Report (the “**PRC Compensation Properties Valuation**”) and the valuation of the Compensation Properties as at 31 August 2017 according to the HK Compensation Properties Valuation Report (the “**HK Compensation Properties Valuation**”).

In light of the above, we concur with the Directors that although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

On 21 September 2017, the Company entered into the Agreement with PEGL and Investment Development Company in respect of the Transaction, pursuant to which the Company has undertaken to deliver the Property to PEGL within thirty working days after the Agreement takes effect, and PEGL and Investment Development Company have undertaken to execute the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) for the Compensation Properties before delivery of the Property to PEGL in accordance with the requirements of the PRC law and regulations, the filing procedures with the competent PRC real estate authorities within thirty working days after the execution of the contract and transfer the Compensation Properties to the Company by no later than 31 December 2018. The Company shall pay the Shortfall to Investment Development Company.

Basis for Determination of the Compensation

The Company has respectively engaged the PRC Valuer as an independent valuer in the PRC and the HK Valuer as an independent valuer pursuant to Hong Kong regulatory requirements to issue valuation reports on the Property and the Compensation Properties respectively.

Transaction Price

The transaction price has been determined by the parties after arm's length negotiations with reference to the valuations of the Property and the Compensation Properties as conducted by relevant independent valuers. As agreed among the parties to the Agreement, the transaction price for the Property was determined at RMB671,540,000 (equivalent to approximately HK\$797,789,520) (the "**Property Transaction Price**"), and the transaction price for the Compensation Properties was initially determined at RMB691,698,297 (equivalent to approximately HK\$821,737,577) (the "**Compensation Properties Transaction Price**").

According to the PRC Property Valuation Report, the PRC Property Valuation as at 31 December 2016 was RMB671,540,000, which is higher than the HK Property Valuation of RMB667,500,000 as at 31 August 2017. The PRC Property Valuation equals to the Property Transaction Price.

According to the PRC Compensation Properties Valuation Report, the PRC Compensation Properties Valuation as at 31 December 2016 was RMB691,698,297, which is lower than the HK Compensation Properties Valuation of RMB693,810,000 as at 31 August 2017. The PRC Compensation Properties Valuation equals to the Compensation Properties Transaction Price.

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For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the HK Valuer with the Company; (ii) the HK Valuer's qualification and experience in relation to the preparation of the HK Property Valuation Report and the HK Compensation Properties Valuation Report; and (iii) the steps and due diligence measures taken by the HK Valuer for conducting the HK Property Valuation and the HK Compensation Properties Valuation. From the mandate letter and other relevant information provided by the HK Valuer and based on our interview with them, we are satisfied with the terms of engagement of the HK Valuer as well as their qualification and experience for preparation of the HK Property Valuation Report and the HK Compensation Properties Valuation Report. The HK Valuer has also confirmed that they are independent to the Group and the PEGL Group.

We have further reviewed and enquired into the HK Valuer on the methodology adopted and the basis and assumptions adopted in arriving at the HK Property Valuation and the HK Compensation Properties Valuation in order for us to understand the HK Property Valuation Report and the HK Compensation Properties Valuation Report. As confirmed by the HK Valuer, the direct comparison approach adopted in both HK Property Valuation Report and HK Compensation Properties Valuation Report is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice. During our discussion with the HK Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the HK Property Valuation and the HK Compensation Properties Valuation. Details of the HK Property Valuation Report and the HK Compensation Properties Valuation Report are set out in Appendix I to the Circular.

Having considered the above and that:

- (i) the Property Transaction Price is higher than the HK Property Valuation; and
- (ii) the Compensation Properties Transaction Price is lower than the HK Compensation Properties Valuation,

we are of the opinion that the Property Transaction Price and the Compensation Properties Transaction Price are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Settlement of the Shortfall

As the area for each of the Compensation Properties is an estimate and is subject to the area stated in the Property Ownership Certificates, the price of the Compensation Properties is thus subject to fine adjustment. The final value of the Compensation Properties will be determined based on the area stated in the Property Ownership Certificate multiplied by the relevant agreed unit price as stated in the section headed “Transaction Price” of the Board Letter. These agreed unit prices are fixed. It is estimated that the corresponding Shortfall shall be payable by the Company to Investment Development Company and the parties agree that the maximum amount of such Shortfall shall not exceed RMB30,000,000. If the Shortfall payable by the Company as calculated based on the actual conditions exceeds RMB30,000,000, the parties to the Agreement agree that the Company only needs to pay RMB30,000,000 (the “**Upper Limit**”).

Based on the current Property Transaction Price and the Compensation Properties Transaction Price, the Shortfall will be approximately RMB20 million. The difference between the estimated Shortfall as aforesaid and the Upper Limit is approximately RMB10 million, which is less than 2% of the Compensation Properties Transaction Price. Accordingly, we consider that the Upper Limit is justifiable.

Other terms of the Agreement are set out under the section headed “THE AGREEMENT” of the Board Letter.

Taking into account the principal terms of the Agreement, we consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

3. Possible financial effects of the Transaction

With reference to the Board Letter, the exchange of the Property and the Compensation Properties (took into account of the Shortfall) is an exchange of non-monetary assets of no commercial substances. The unaudited book value of the Property as at date of title transfer, together with relevant taxes payable, will be taken as the cost for the Compensation Properties, and no income and gain or loss will be recognized in respect of the exchange as cash will be paid only for the relevant taxes and the Shortfall. Therefore, there will be no material impact on the financial position of the Company.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Transaction.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreement are fair and reasonable; (ii) although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is on normal commercial terms and is 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 to be proposed at the EGM to approve the Agreement and the Transaction, 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

The following are the text of letters and valuation certificates from Vigers Appraisal and Consulting Limited, an independent valuer, in connection with its valuation as at 31 August 2017 of the Property and Compensation Properties, prepared for the purpose of incorporation in this circular.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants



10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

13 October 2017

The Directors
Nanjing Panda Electronics Company Limited
No. 7 Jingtian Road,
Nanjing City,
Jiangsu Province,
the PRC

Dear Sirs,

In accordance with your instructions for us to value the property interest held by Nanjing Panda Electronics Company Limited (the “**Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 August 2017 (“**valuation date**”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s- length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “**PRC legal opinion**”) provided by the Company’s PRC legal adviser, Grandall Law Firm (Nanjing).

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 August 2017 was HK\$1=RMB0.8423. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc (e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the Company for owner occupation in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2017
Building No. 54 located at No. 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 5,880.10 sq.m. and a building completed in 1990 erected thereon. The building has a gross floor area of approximately 52,895.51 sq.m. The property is held with the land use rights for a term expiring on 30 May 2044 for industrial use.	The property was vacant as at the valuation date.	RMB667,500,000 (equivalent to approximately HK\$792,500,000)

Notes:

1. According to a State-owned Land Use Rights Certificate (Document No.: Ning Xuan Guo Yong (2005) No. 01741), the land use rights of the property having a site area of approximately 5,880.10 sq.m. have been granted to Nanjing Panda Electronics Company Limited for a term expiring on 30 May 2044 for industrial use.
2. According to a Building Ownership Rights Certificate (Document No.: Ning Fang Quan Zheng Xuan Chu Zi No. 102156), the building of the property having a gross floor area of approximately 52,895.51 sq.m. is owned by Nanjing Panda Electronics Company Limited.
3. The PRC legal opinion states, inter alia, the following:
 - (i) Nanjing Panda Electronics Company Limited has obtained the title of the land, building, ancillary facilities and structures of the property and is entitled to dispose of the property.
 - (ii) The property is free from any mortgage and encumbrance.
4. The property was inspected by Mr. Jin Guang Wei, China Real Estate Appraiser, on 12 July 2017.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants



10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

13 October 2017

The Directors
Nanjing Panda Electronics Company Limited
No. 7 Jingtian Road,
Nanjing City,
Jiangsu Province,
the PRC

Dear Sirs,

In accordance with the instructions of Nanjing Panda Electronics Company Limited (the “**Company**”) for us to value the property interest held by Nanjing Panda Investment Development Company Limited in the People’s Republic of China (the “**PRC**”) on the assumption of the property being completed in the valuation date, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 August 2017 (“**valuation date**”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s- length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “**PRC legal opinion**”) provided by the Company’s PRC legal adviser, Grandall Law Firm (Nanjing).

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 August 2017 was HK\$1=RMB0.8423. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc (e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc (e-com), has over twenty nine years' experiences in undertaking valuations of properties in Hong Kong and has over twenty two years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by the Nanjing Panda Investment Development Company in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value on the assumption of the property being completed as at 31 August 2017												
1st, Mezzanine, 2nd to 4th and 14th to 17th Floors in Building A of a research centre located at No. 301 Zhongshan East Road, Xuanwu District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises the 1st, Mezzanine, 2nd to 4th and 14th to 17th Floors in a building to be completed in 2018.</p> <p>The property has a gross floor area (GFA) of approximately 29,547.05 sq.m. Details are as following:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1st</td> <td style="text-align: right;">3,046.33</td> </tr> <tr> <td>Mezzanine</td> <td style="text-align: right;">1,086.36</td> </tr> <tr> <td>2nd to 4th</td> <td style="text-align: right;">9,348.91</td> </tr> <tr> <td>14th to 17th</td> <td style="text-align: right;"><u>16,065.45</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>29,547.05</u></u></td> </tr> </tbody> </table>	Floor	GFA (sq.m.)	1 st	3,046.33	Mezzanine	1,086.36	2 nd to 4 th	9,348.91	14 th to 17 th	<u>16,065.45</u>	Total:	<u><u>29,547.05</u></u>	The property was under construction as at the valuation date.	RMB693,810,000 (equivalent to approximately HK\$823,710,000)
Floor	GFA (sq.m.)														
1 st	3,046.33														
Mezzanine	1,086.36														
2 nd to 4 th	9,348.91														
14 th to 17 th	<u>16,065.45</u>														
Total:	<u><u>29,547.05</u></u>														

The property is held with the land use rights for a term expiring on 24 February 2045 for wholesale and retail uses and a term expiring on 24 February 2045 for commercial and financial uses.

Notes:

1. According to a Real Estate Certificate (Document No.: Su (2017) Ning Xuan Bu Dong Chan Quan No. 0004950), the land use rights of the property subject having a site area of approximately 28,237.99 sq.m. have been granted to Nanjing Panda Investment Development Company Limited for a term expiring on 24 February 2045 for wholesale and retail uses and a term expiring on 24 February 2045 for commercial and financial uses.
2. According to a Planning Permit for Construction Land (Document No.: Di Zi No. 320102201610010), the construction site of a parcel of land with a site area of approximately 28,243.34 sq.m. is in compliance with the urban and rural planning requirements.
3. According to a Planning Permit for Construction Works (Document No.: Jian Zi No. 320102201410525), the construction works of the building with a total gross floor area of approximately 217,164.80 sq.m. is in compliance with the urban and rural construction requirements and are approved.
4. According to a Permit for Commencement of Construction Works (Document No.: 320102201507230101), the construction works of the building with a total gross floor area of approximately 217,164.80 sq.m. is in compliance with the requirements for works commencement and are approved.
5. According to the Company, the construction cost expended in the property as at the valuation date was approximately RMB109,000,000 and the construction cost to complete the property as at the valuation date is estimated to be approximately RMB182,000,000.
6. The capital value of the property in existing state as at the valuation date was approximately RMB461,000,000.
7. The property was topped off as at the valuation date and is scheduled to be completed in June 2018.
8. The PRC legal opinion states, inter alia, the following:
 - (i) Nanjing Panda Investment Development Company Limited has obtained the approval of the project proposal, environmental impact assessment, land use rights, land use planning, construction works planning and commencement of construction works of the property.
 - (ii) Nanjing Panda Investment Development Company Limited has the right to sell the property after obtaining the Commodity Property Pre-sale Permit.
9. The property was inspected by Mr. Jin Guang Wei, China Real Estate Appraiser, on 12 July 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 (%)
Xu Guofei	Chairman, Executive Director	Beneficial owner Personal	Personal	2,546	0.00028

(B) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, Supervisors and chief executive of the Company, the interests or short positions of the persons (not being a Director or Supervisor or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

(i) *Interests in the shares of the Company*

Name of Shareholder	Capacity/nature of interests	Class/no. of shares interested (long position)	Approximate percentage in the relevant class of shares in issue	Approximate percentage in the total shares in issue
PEGL	Corporate interests held in the capacity of beneficial owner	210,661,444 A shares	31.36%	23.05%
NEIIC	Corporate interests held in the capacity of beneficial owner	49,534,611 A shares	7.37%	5.42%
NEIIC	Corporate interests held in the capacity of beneficial owner	13,768,000 H shares	5.69%	1.51%
China Huarong Asset Management Co., Ltd.	Corporate interests held in the capacity of beneficial owner	82,811,667 A shares	12.33%	9.06%
Lewis Joseph	Personal interests held in the capacity of beneficial owner	20,260,000 H shares	8.37%	2.22%
Tuesday Thirteen Inc.	Corporate interests held in the capacity of controlled corporation	16,920,000 H shares	7.00%	1.85%
Tang Hanbo	Personal interests held in the capacity of beneficial owner	22,586,000 H shares	9.33%	2.47%

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors hold offices as Directors or employees in CEC, the de-facto controller of the Company as shown below:

Name of Director/Supervisor	Position held in CEC
Xu Guofei	Assistant to General Manager

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

Name of Director/Supervisor	Position held in NEIIC
Xu Guofei	Chairman
Chen Kuanyi	Vice Chairman
Tu Changbai	Chief Accountant
Lu Qing	Deputy General Manager

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors hold offices as Directors or employees in PEGL, the controlling Shareholder of the Company as shown below:

Name of Director/Supervisor	Position held in PEGL
Xu Guofei	General Manager
Lu Qing	Deputy General Manager
Deng Weiming	Deputy General Manager

(ii) *Interests in non-wholly owned subsidiaries of the Company*

Name of non-wholly owned subsidiaries of the Company	Name of shareholders interested in 10% or more of the subsidiaries of the Company	Approximate percentage of interest held by that shareholder (long position)
Shenzhen Jingwah Electronics Co., Ltd.	Shenzhen China Electronics Investment Co.,Ltd.	43.34%
Nanjing Panda Information Industry Co., Ltd	GALANT (HK) LIMITED	18%
Nanjing Panda International Telecommunication System Co., Ltd	Hong Kong Shun Sing Development Co., Ltd	28.23%
Nanjing Panda Electronics Manufacturing Co., Ltd	GALANT (HK) LIMITED	25%

Save as disclosed above, the Directors, supervisors and chief executive of the Company are not aware that there is any person (other than a Director, supervisor or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of the Group or any options in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its members.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As disclosed above, Mr. Xu holds offices in CEC, NEIIC and PEGL and holds approximately 0.00028% of the total issued share capital of the Company, Mr. Chen holds office in NEIIC, Mr. Lu holds office in NEIIC and PEGL and Mr. Deng holds office in PEGL, and are all therefore considered to be interested in the Transaction contemplated under the Agreement and had abstained from voting on the relevant resolution(s) of the Board approving the Agreement and the Transaction.

Save as aforesaid, the Board confirms that as at the Latest Practicable Date, none of the other 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 2016 (being the date to which the latest published audited accounts of the Group were made up), none of the other 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.

Save as aforesaid, the Board confirms that none of the other Directors abstained from voting on the relevant resolution(s) of the Board in respect of the Agreement and the Transaction.

7. 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 2016 (being the date to which the latest published audited accounts of the Group were made up).

8. 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
Vigers Appraisal and Consulting Limited	Professional surveyors and valuers
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Grandall Law Firm (Nanjing)	Legal adviser on PRC law

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 2016 (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 letter, report, opinion or statements (as the case may be) and references to their names in the form and context in which they respectively appear herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 301 Zhongshan Road East, Nanjing, Jiangsu Province, the PRC and the Company's solicitors at 23rd Floor, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong, during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Gram Capital, the text of which is set out in this circular; and
- (d) the written consents referred to in the section headed "Expert and Consent" in this Appendix.

10. GENERAL

- (a) The registered office of the Company is situated at Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, Jiangsu Province, the PRC.
- (b) The principal place of business of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.
- (c) The company secretary of the Company is Mr. Shen Jianlong, who is the Chief Accountant and Secretary to the Board.