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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)

## **REVISION OF ANNUAL CAPS OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 15 November 2021, in relation to, among other matters, the existing continuing connected transactions, of which the term of the existing Sub-contracting Agreement entered into between the Company and CEC is three years from 1 January 2022 to 31 December 2024.

Due to the reasons set out under the section headed “Reasons for and Benefits of Entering into the Supplemental Agreement” below, the Company entered into the Supplemental Agreement with CEC on 30 October 2023 to increase the annual caps for 2023 and 2024. Other than the terms specified in the Supplemental Agreement, all other terms and conditions under the existing Sub-contracting Agreement remain effective and unchanged.

As CEC is the de facto controller of the Company and the controlling shareholder of NEIIC, the controlling shareholder of PEGL Group, and PEGL Group is the controlling Shareholder of the Company, CEC is the connected person of the Company under the Listing Rules, and the transactions under the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.54 of the Listing Rules, the Company shall re-comply with the relevant requirements of the continuing connected transactions in respect of the Revised Annual Caps. As the applicable percentage ratios of the transactions contemplated under the Supplemental Agreement exceed 0.1% but do not exceed 5%, such transactions are subject to the reporting, annual review and announcement requirements and are exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## REVISION OF THE EXISTING ANNUAL CAPS

### Background

Reference is made to the announcement of the Company dated 15 November 2021, in relation to, among other matters, the existing continuing connected transactions, of which the term of the existing Sub-contracting Agreement entered into between the Company and CEC is three years from 1 January 2022 to 31 December 2024.

Due to the reasons set out under the section headed “Reasons for and Benefits of Entering into the Supplemental Agreement” below, the Company entered into the Supplemental Agreement with CEC on 30 October 2023 to increase the annual caps for 2023 and 2024. Other than the terms specified in the Supplemental Agreement, all other terms and conditions under the existing Sub-contracting Agreement remain effective and unchanged.

### Existing and Proposed Annual Caps

The table below sets forth the Existing Annual Caps and Revised Annual Caps of the continuing connected transactions under the Sub-contracting Agreement entered into between the Company and CEC:

	<b>Year ended 31 December 2022</b>	<b>Year ending 31 December 2023</b>	<b>Year ending 31 December 2024</b>
	<b>Annual Caps</b>	<b>Annual Caps</b>	<b>Annual Caps</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Provision of sub-contracting services and composite services by the Group to the CEC Group</i>			
Existing Annual Caps	80,000	80,000	80,000
Revised Annual Caps	80,000	170,000	170,000

## Particulars of the Supplemental Agreement

Details of the Supplemental Agreement and newly proposed Annual Caps are set out below (other than the terms specified in the Supplemental Agreement, all other terms under the existing Sub-contracting Agreement remain unchanged):

1. Agreement: the Supplemental Agreement to the agreement for the provision of sub-contracting services and composite services
2. Date: 30 October 2023
3. Parties: (1) The Company  
(2) CEC
4. 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.
5. Major terms of the Supplemental Agreement: Increase the fees for the provision of sub-contracting services and composite services by the Group to the CEC Group in the years 2023 and 2024, both not exceeding RMB170,000,000.00 (i.e.the Revised Annual Caps).
6. 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 the Sub-contracting 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 the Sub-contracting 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 the Sub-contracting 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 the Sub-contracting 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.

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.

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 the Sub-contracting 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 the Sub-contracting Agreement. In case of any conflict between the implementation agreements and the Sub-contracting Agreement, the Sub-contracting Agreement shall prevail.

7. Historical figures :

The historical amounts of the transactions under the Sub-contracting Agreement are as follows:

Year ended 31 December 2022 Actual transaction amount (RMB'000)	Year ended 31 December 2022 Exiting annual cap (RMB'000)	Nine months ended 30 September 2023 Actual transaction amount (RMB'000)	Year ending 31 December 2023 Exiting annual cap (RMB'000)
62,889.8	80,000	75,761.4	80,000

8. Revised Annual Caps and basis of determination:

The Board proposes to increase the annual caps for the provision of sub-contracting services and composite services by the Group to CEC Group to RMB170,000,000.00 for 2023 and 2024.

The Revised Annual Caps were determined with reference to the following:

- (1) Historical transaction amounts for the year ended 31 December 2022 and the nine months ended 30 September 2023, with relatively high levels of annual cap utilization for the corresponding years;

- (2) Among the sub-contracting services and composite services provided by the Group to CEC Group, taking into account the expected increase in the business volume of OEM services and intelligent building engineering services involving NPEC Handa Technology Co., Ltd. (南京熊貓漢達科技有限公司), China Electronics Defense Technology Co., Ltd. (中電防務科技有限公司) and Nanjing Panda Investment Development Co., Ltd. (南京熊貓投資發展有限公司), it is estimated that (i) the amount of sub-contracting services applicable to government guidance prices will be approximately RMB30 million per year, mainly due to the provision of relevant sub-contracting services by Information Industry Company under the Group for CEC Group's land development at No. 301 Zhongshan Road East; (ii) the amount of technology development and services applicable to market prices will be approximately RMB90 million per year, mainly due to the provision of the technology development and services by Communications Technology Company, the Company and Electronic Manufacturing Company to the subsidiaries of CEC Group; (iii) the amount of other provision of labor services will be approximately RMB30 million per year;
- (3) Leave some buffer space of about 10% for other additional business volumes that may occur.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

It is expected that the relevant business under the Sub-contracting Agreement will continue to increase, which mainly involves the estimated increase in business of certain companies under the CEC Group, and therefore the Existing Annual Caps have been no longer sufficient to the business growth. The increase of the annual caps for 2023 and 2024 will expand the Group's business and provide a stable source of income for the Group, which is in the interest of the Group.

Taking into account the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Revised Annual Caps meet the operational requirements of and are beneficial to the Group, and the Supplemental Agreement is entered into on normal commercial terms in the ordinary and usual course of business and the terms thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.



## **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).

## **IMPLICATIONS UNDER LISTING RULES**

As CEC is the de facto controller of the Company and the controlling shareholder of NEIIC, the controlling shareholder of PEGL Group, and PEGL Group is the controlling Shareholder of the Company, CEC is the connected person of the Company under the Listing Rules, and the transactions under the Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.54 of the Listing Rules, the Company shall re-comply with the relevant requirements of the continuing connected transactions in respect of the Revised Annual Caps. As the applicable percentage ratios of the transactions contemplated under the Supplemental Agreement exceed 0.1% but do not exceed 5%, such transactions are subject to the reporting, annual review and announcement requirements and are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that Mr. Xia Dechuan and Mr. Liu Jianfeng, the Directors of the Company, hold position in NEIIC, and Mr. Deng Weiming, the Director of the Company, holds position in PEGL Group, they have abstained from voting on the resolution in relation to the Supplemental Agreement to the agreement for the provision of sub-contracting services and composite services and the Revised Annual Caps thereunder at this Board meeting. Save as disclosed above, as at the date when the Board considered the aforesaid resolution, none of the Directors has a material interest in the adjustment to the annual caps for the continuing connected transactions or has been required to abstain from voting on the relevant Board resolution.

## DEFINITIONS

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

“Board”	the board of Directors
“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 Group”	CEC, its subsidiaries (for the purpose of this announcement excluding the Group), its holding companies and their respective associates
“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 Listing Rules
“Directors”	the directors of the Company
“Electronic Manufacturing Company”	Nanjing Panda Electronic 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
“Existing Annual Cap(s)”	the annual caps for the provision of sub-contracting services and composite services by the Group to the CEC Group under the existing Sub-contracting Agreement
“Group”	the Company and its subsidiaries
“Independent Shareholders”	has the meaning ascribed to it under the 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“NEIIC”	Nanjing Electronics Information Industrial Corporation (南京中電熊貓信息產業集團有限公司), the controlling Shareholder of PEGL Group, and holding 3.93% equity interests of the Company
“PEGL Group”	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
“PRC”	the People’s Republic of China
“Revised Annual Cap(s)”	the annual caps for 2023 and 2024 regarding the provision of sub-contracting services and composite services by the Group to CEC Group as revised under the Supplemental Agreement
“RMB”	the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contracting Agreement”	the agreement for the provision of sub-contracting services and composite services entered into between the Company and CEC on 15 November 2021, with a term of three years commencing from 1 January 2022 to 31 December 2024, details of which are set out in the announcement of the Company dated 15 November 2021

“Supplemental Agreement” the Supplemental Agreement to the agreement for the provision of sub-contracting services and composite services entered into between the Company and CEC on 30 October 2023

“%” per cent

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

Nanjing, the People’s Republic of China  
30 October 2023

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