南京熊猫電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

CONTINUING CONNECTED TRANSACTIONS

References are made to the announcement of the Company dated 12 November 2015 and the circular dated 10 December 2015, in relation to, among others, the continuing connected transactions between the Company and its connected persons. The continuing connected transactions of the Company in relation to the financial services last for a term of 3 years from 28 December 2015 to 27 December 2018; the remaining continuing connected transactions last for a term of 3 years from 1 January 2016 to 31 December 2018.

The existing continuing connected transactions of the Company will expire on 27 December 2018 and 31 December 2018 respectively, and are expected to continue after the expiration. In consideration of the actual business development of the Group and the relevant business needs of the connected persons of the Company, the Board proposes to renew the existing CCT Agreements with the CEC Group, the NEIIC Group, CEC Finance and CEC Home Appliances.

As CEC is the controlling shareholder of NEIIC and the de facto controller of the Company; NEIIC is the controlling shareholder of PEGL, the controlling shareholder of the Company, and holds 6.93% equity interest in the Company; CEC Finance is a company controlled by CEC; and CEC Home Appliances is a controlling subsidiary of PEGL; CEC, NEIIC, PEGL, CEC Finance, CEC Home Appliances and their respective associates therefore constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company.

Implications under the Hong Kong Listing Rules

As the respective applicable percentage ratios for the transactions contemplated under the Sub-contracting Agreement exceeds 5% and the relevant annual consideration is more than HK$10,000,000, and the respective applicable percentage ratios for transactions contemplated under the Sale Agreement and the proposed deposit transactions contemplated under the Financial Services Agreement exceed 25%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one of the applicable percentage ratios in respect of the deposit transactions contemplated under the Financial Services Agreement exceeds 25%, such transaction constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

However, as the respective applicable percentage ratios for the transactions contemplated under CEC Sub-contracting Agreement, the Purchase Agreement, Lease Agreement, NEIIC Group Lease Agreement and Trademark License Agreement are below 5%, such transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Implications under the Shanghai Listing Rules

Since the A shares of the Company are listed on the Shanghai Stock Exchange, the Company shall also comply with the relevant stipulations under the Shanghai Listing Rules. According to the Shanghai Listing Rules and other relevant requirements, all transactions (including the relevant proposed Annual Caps) contemplated under the CCT Agreements shall be subject to the announcement and Independent Shareholders' approval requirements.

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

A circular containing, among other things, (i) further details on the renewal of the existing continuing connected transactions under the CCT Agreements, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Sub-contracting Agreement, the Sale Agreement and the Financial Services Agreement, will be despatched to the Shareholders not later than 15 Business Days after the publication of this announcement in accordance with the relevant requirements of the Hong Kong Listing Rules.

1. BACKGROUND

References are made to the announcement of the Company dated 12 November 2015 and the circular dated 10 December 2015, in relation to, among others, the continuing connected transactions between the Company and its connected persons. The continuing connected transactions of the Company in relation to the financial services last for a term of 3 years from 28 December 2015 to 27 December 2018; the remaining continuing connected transactions last for a term of 3 years from 1 January 2016 to 31 December 2018.

The existing continuing connected transactions of the Company will expire on 27 December 2018 and 31 December 2018 respectively, and are expected to continue after the expiration. In consideration of the actual business development of the Group and the relevant business needs of the connected persons of the Company, the Board proposes to renew the existing CCT Agreements with the CEC Group, the NEIIC Group, CEC Finance and CEC Home Appliances.

As CEC is the controlling shareholder of NEIIC and the de facto controller of the Company; NEIIC is the controlling shareholder of PEGL, the controlling shareholder of the Company, and holds 6.93% equity interest in the Company; CEC Finance is a company controlled by CEC; and CEC Home Appliances is a controlling subsidiary of PEGL; CEC, NEIIC, PEGL, CEC Finance, CEC Home Appliances and their respective associates therefore constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company.

2. HISTORICAL AND PROPOSED ANNUAL CAPS

The table below sets forth a summary of the categories and the historical and proposed Annual Caps of the existing continuing connected transactions of the Company:

Categories of the Continuing Connected Transactions	**Annual Caps** **Historical** **1 January 2016 to 31 December 2018** *(RMB'000)*	**Proposed** **1 January 2019 to 31 December 2021** *(RMB'000)*
(A) Provision of sub-contracting services and composite services by the Group to the CEC Group	222,000	160,000
(B) Sale of materials, components and parts by the Group to the CEC Group	2,333,000	2,100,000

	Historical 28 December 2015 to 27 December 2018 *(RMB'000)*	Proposed For the 3 years commencing upon the approval of the Independent Shareholders at the EGM *(RMB'000)*
(C) Financial Services		
Deposit service	500,000	500,000
Loan, guarantee and other credit financing services	600,000	600,000

	Historical 1 January 2016 to 31 December 2018 *(RMB'000)*	Proposed 1 January 2019 to 31 December 2021 *(RMB'000)*
(D) Provision of sub-contracting services and composite services by CEC Group to the Group	7,000	13,000
(E) Purchase of materials, components and parts by the Group from CEC Group	103,000	80,000
(F) Lease of premises and equipment by the Group to NEIIC Group	3,000	3,000
(G) Lease of premises and equipment by NEIIC Group to the Group	2,000	2,000
(H) Licensing of trademark by the Group to CEC Home Appliances	3,000	3,000

3. PARTICULARS OF RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

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

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

1.	Agreement:	Agreement for the provision of sub-contracting services and composite services
2.	Date:	7th November 2018
3.	Term:	From 1 January 2019 to 31 December 2021
4.	Parties:	(1) The Company (2) CEC
5.	Nature of the transaction:	Provision of sub-contracting services by the Group to the CEC Group, including computer network services; intelligent building engineering services, computer information system integration services and related mechanical and electrical installation engineering services, technology development services and SMT Chip processing; as well as composite services including property management, catering services and labor services.
6.	Existing Annual Cap:	RMB222,000,000
7.	Reason for the transaction:	The provision of sub-contracting and composite services by the Group to the CEC Group will enlarge the Group's business and provide a stable source of income for the Group. Therefore, the continuation of such transactions is beneficial to and in the interest of the Group. The Company will renew the agreement with CEC for such sub-contracting and composite services.

8. Pricing basis and terms of payment: The Group is entitled to charge the CEC Group reasonable service fees for the services provided based on the principle of fair market for the services it provides, and the CEC Group shall undertake the corresponding payment obligations. The service fees for the provision of sub-contracting services and composite services by the Group to the CEC Group shall be determined after arm's length negotiation between the parties and based on the pricing policy (as disclosed below) and normal commercial terms with reference to the prevailing market prices, namely, the service fees charged by the Group shall be no less than those charged to an independent third party for the same or similar services.

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

For the purpose of this agreement, market price refers to the price paid by PRC enterprises in the same industry for receiving services of the same type.

For the purpose of this agreement, 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.

The sub-contracting services to be provided by the Group to CEC Group are mainly intelligent building engineering, integration of computer information system (including computer network services) and related mechanical and electrical installation engineering services. With regard to such services, 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)) on page 35 of "Fixed Price for Construction Engineering of Jiangsu Province" (《江蘇省建設工程費用定額》) [Su Jian Jia 2014 (No. 299)] issued by the Housing and Construction Bureau of Jiangsu Province on 18 June 2014.

The Group also provides CEC Group with a small amount of technology development services (approximately RMB5 million per annum). For such services, relevant subsidiaries of the Group including the Communications Technology Company have established research and development institutions to participate in the preliminary design of products and schemes of customers and therefore have possessed the capabilities and experience to provide technology development services to the subsidiaries of CEC Group. Market price is applicable to the technology development services and shall be determined with reference to the fees adopted in the agreements on similar and relevant services between the Company and independent third parties.

The Group provides CEC Group with a small amount of SMT Chip processing services (approximately RMB1.2 million per annum). The pricing for the SMT Chip 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 Chip 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 provision of property management and labor services, they are determined with reference to the fees adopted in contracts for similar and related services between the Company and independent third parties.

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 above and the actual operations costs of the Company. The head of the marketing department will review and compare the same with the fees adopted in contracts for similar and related services between the Company and independent third parties.

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. Such payment terms shall be in accordance with the Group's normal terms of supplies subject to the review of the general manager of the Company or the subsidiaries concerned and in line with the market practices. The fees charged and the terms of payment shall not be more favourable than those offered to independent third parties.

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

	Six months ended 30 June 2018 *(unaudited)*	**Year ended 31 December 2017** *(audited)*	**Year ended 31 December 2016** *(audited)*
Amount *(RMB'000)*	55,760	168,670	151,040

10. Annual Cap: The Board proposes to decrease the Annual Cap from RMB222,000,000 to RMB160,000,000.

Such amount is determined with reference to: (1) the historical transaction amounts of the sub-contracting and composite services provided by the Group to CEC Group; (2) decrease in demand for the sub-contracting and composite services due to the sub-regional implementation of the PEGL Group's land development project in No. 301 Zhongshan Road East; (3) the increase in catering and property management services provided by the subsidiaries of the Group to CEC Group.

The reduction of RMB62 million in the Annual Cap is mainly attributable to: (1) the decrease in provision of intelligent building engineering services, computer information system integration services and related mechanical and electrical installation engineering services by Information Industry Company due to the sub-regional implementation of the PEGL Group's land development project in No. 301 Zhongshan Road East. Such businesses are expected to decrease by RMB80 million each year and remain at RMB82 million per annum in the forthcoming three years; (2) the expansion of catering and property management services to be provided by Xinxing Industrial Company to LCD Technology, Panel Display Technology and LCD Material Technology, all being the subsidiaries of NEIIC. Such businesses are expected to increase by RMB18 million each year and remain at RMB69 million per annum in the forthcoming three years.

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

1.	Agreement:	Agreement for the sale of materials, components and parts
2.	Date:	7th November 2018
3.	Term:	From 1 January 2019 to 31 December 2021
4.	Parties:	(1) the Company (2) CEC
5.	Nature of the transaction:	The products sold by the Group to CEC Group include: LCD panel production line system and its related system, equipment and consumables, production line system automation transformation and its related system and equipment, T-CON Board, light guide plates and other LCD panel-related components, television case and related kits, communication products, power supply products, tablets, capacitors and other electronic products and devices, and calculators, software and other information-based office products.

6.	Existing Annual Cap:	RMB2,333,000,000
7.	Reasons for the transaction:	The sale of materials, components and parts by the Group to the CEC Group will enlarge the Group's business scale and provide a stable source of income for the Group. CEC has been vigorously developing the flat panel display business in recent years. In August 2009, CEC established LCD Technology to build the 6th generation of TFT-LCD production line project with a total investment of RMB13.8 billion and a production capacity of 90,000 glass substrates per month. In November 2012, CEC established Panel Display Technology to build the 8.5th generation of TFT-LCD panel production line project with a total investment of RMB29.15 billion. In December 2015, CEC established Chengdu Display Technology to invest in the 8.6th generation of Chengdu LCD panel production line project, with a total investment of RMB28 billion and a production capacity of 120,000 glass substrates per month. To meet its development needs, the subsidiaries of the Company, including Electronics Equipment Company, Electronics Manufacturing Company and Information Industry Company, maintained supply of materials, components and parts to the subsidiaries of CEC, including Panel Display Technology, LCD Technology and Chengdu Display Technology.
8.	Pricing basis and terms of payment:	The Group is entitled to charge the CEC Group a reasonable price for the products it sells based on the fair dealing principle, and the CEC Group shall undertake the corresponding payment obligations. The price for sale of materials, components and parts sold by the Group to the CEC Group shall be determined after arm's length negotiation between the parties based on the relevant pricing policy (as disclosed below) and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the Group shall be no less than those charged to an independent third party for the same or similar products.

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

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

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

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

(1) LCD panel production line system and its related system, equipment and consumables as well as the production line system automation transformation equipment provided by Electronics Equipment Company to Chengdu Display Technology and the subsidiaries of the CEC Group respectively are non-standardized products. After technical departments of the parties confirm the plan, Electronics Equipment Company will prepare drawing papers and procurement lists, and arrange procurement of raw materials and production plans, the ultimate costs of the products are to be confirmed by the marketing department. The prices using the cost-plus pricing approach may be used as the pricing basis, and such prices shall be the sum of costs plus a gross profit margin ranging from 13% to 17%, such gross profit margin is not less than the weighted average gross profit margin of the same or similar products of the Group (for details, please refer to the sub-section headed Principal Businesses under the section headed Discussion and Analysis of the Operations in the 2017 Annual Report and the 2018 Interim Report of the Company).

(2) Electronics Manufacturing Company primarily provides T-CON Board, light guide plate and related consumables to Chengdu Display Technology, LCD Technology and Panel Display Technology. It arranges the purchases of raw materials and SMT processing in accordance with the design drawings and BOM received from Chengdu Display Technology, LCD Technology and Panel Display Technology. For T-CON Board, the unit price is the sum of the costs for raw materials and the fees charged for SMT processing. In particular, Electronics Manufacturing Company renders SMT processing services and purchases raw materials from specific suppliers as nominated by Chengdu Display Technology, LCD Technology and Panel Display Technology at specific purchase price. The purchase prices shall be determined upon negotiation by Chengdu Display Technology, LCD Technology and Panel Display Technology with their respective specific suppliers. For SMT Chip processing, the fees are charged by piece, with reference to the open market quotations and the fees Electronics Manufacturing Company charged to independent third parties.

The SMT Chip processing fees herein are determined with reference to the open market quotations on Made-in-China.com (中國製造網) (http://cn.made-in-china.com/catalog/smttpjg.html).

"Made-in-China.com" is one of the most referred websites for quotations within the electronic industry in the PRC.

(3) The products sold by the Group to other subsidiaries of CEC Group, which have comparable products in the open market, include: television case and related kits, communication products, power supply products, tablets, capacitors and other electronic products and devices, as well as calculators, software and other information-based office products, whose prices are determined with reference to the prevailing market prices and shall not be lower than those charged to independent third parties for the same or similar products.

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

For the fees for SMT Chip processing which comprises part of the unit price of T-CON Board, the officers of the marketing department of the relevant subsidiaries of Company selling the products will compile a list of the fees for SMT Chip 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 relevant payments shall be settled within 20 days upon the individual implementation agreements taking effect. The effective conditions of the agreements are to be agreed by the parties and set forth in the individual implementation agreement.

9. Historical figures:

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

	Six months ended 30 June 2018 *(unaudited)*	Year ended 31 December 2017 *(audited)*	Year ended 31 December 2016 *(audited)*
Amount *(RMB'000)*	605,410	1,219,930	910,760

10. Annual Cap:

The Board proposes to decrease the Annual Cap from RMB2,333,000,000 to RMB2,100,000,000.

Such amount was determined with reference to:

(1) the historical amounts of materials, components and parts sold by the Group to the CEC Group. Given CEC's investment in the panel display sector, the Group maintained supply of materials, components and parts to relevant companies of CEC in the electronic panel display industry;

(2) Electronics Equipment Company, a subsidiary of the Group, continued to provide LCD panel production line system for the 8.6th generation of Chengdu LCD panel production line project, and equipment for upgrade and renovation and part of the production equipment modules for other LCD panel production line projects invested by CEC;

(3) CEC's 8.6th generation of Chengdu LCD panel production line project was set up and officially put into operation in January 2018. And the Company established Chengdu Panda Electronic Technology Co., Ltd. (成都熊貓電子科技有限公司) in December 2017 to provide SMT processing services for T-CON Board, light guide plates and other products of such project;

(4) Electronics Manufacturing Company, a subsidiary of the Group, continued to sell the parts of LCD panel products with different specifications to Panel Display Technology and LCD Technology, the major companies that are implementing CEC's 8.5th and 6th generations of TFT-LCD panel production line project;

(5) development of the Group in terms of productivity, technological standards, professional qualification and management method: especially with the proceeds raised from the non-public issuance of A Shares in 2013, increased the capacity of productivity, producing industrial automatic transmission equipment of advanced technology and excellent performance; adopt scientific management methods in SMT processing, and maintain relatively high level of product quality, enabling the Group to have the capacity to provide high-quality materials and components and parts.

The decrease in the Annual Cap for the transaction by RMB233,000,000 from RMB2,333,000,000 to RMB2,100,000,000 is mainly due to the facts that: (1) as CEC has completed all projects for its panel display businesses and put the same into operation and therefore would require less production line systems, the Group would only need to provide the follow-up equipment for upgrade and renovation and certain production equipment components. Consequently, the decrease in supply of equipment will result in the sales decrease of RMB550,000,000 each year under the Annual Cap; (2) as mentioned above, CEC's 8.6th generation of Chengdu LCD panel production line project was set up and officially put into operation and the Company established Chengdu Panda Electronic Technology Co., Ltd. to provide SMT processing services for T-CON Board, light guide plates and other products of such project. It is expected that these sales businesses will result in a sales increase of RMB300,000,000 each year under the Annual Cap for the transaction.

(C) Financial Services Agreement

1.	Agreement:	Financial Services Agreement
2.	Date:	7th November 2018
3.	Term:	The Financial Services Agreement will be effective for three years upon the approval of the Independent Shareholders at the EGM
4.	Parties:	(1) the Company (2) CEC Finance

5. Principal terms:

(1) Subject to compliance with the laws and regulations in the PRC and the operation rules of financial institutions, services provided by CEC Finance to the Group include dealing with financial and financing consultancy, guarantee trust services and other relevant consulting and agency services; assisting the Group to collect and pay the amount of transactions; carrying out authorized insurance brokerage business; providing guarantee to the Group; entrusted loans and entrusted investment services; handling bill acceptance and discount services for the Group; handling the internal transfer among members of the Group and designing relevant settlement and liquidation plans; deposit services; handling such financial services as loans and finance leasing for the Group.

(2) CEC Finance shall provide the abovementioned financial services in accordance with the following principles of services:

(a) Deposit service

(i) The maximum daily deposit balance of the Group with CEC Finance shall not exceed RMB500,000,000.

(ii) For the balance of the Group with CEC Finance, CEC Finance guarantees to make full payment according to the instruction of the Group immediately, together with the payment of interests accrued on such deposit at a deposit interest rate not lower than those offered by domestic commercial banks for the same period. The deposit interest rate of domestic commercial banks shall be determined with reference to the deposit interest rate publicly updated by People's Bank of China at its offices or websites from time to time. CEC Finance calculates the interests based on the accumulated interest method and follows the normal practice of other PRC commercial banks. Such interests shall be paid to the Group on a quarterly basis.

(b) Loans service

   (i) The cap for the comprehensive credit facilities granted by CEC Finance to the Group is RMB600,000,000 (i.e. the maximum daily balance of the loans and other credit facilities services provided by CEC Finance to the Group during the term of Financial Services Agreement shall not exceed RMB600,000,000).

   (ii) The Group obtains facilities from CEC Finance. CEC Finance calculates and charges the interests for the loans at an interest rate not higher than those offered by domestic commercial banks for the same type of loans during the same period. The lending rate of domestic commercial banks shall be determined with reference to the lending rate publicly updated by People's Bank of China at its offices or websites from time to time. Further, such rates shall not be higher than the cost of funds obtained by the Group through other financial institutions. CEC Finance calculates the interests based on the accumulated interest method and the Group shall pay such interests on a quarterly basis.

   (iii) CEC Finance provides the Group with other credit financing services such as fund management, entrusted agency, issue of capital certificates, loan commitment and letter of guarantee. The standard for the fees charged shall not be higher than the standard for the same types of fees charged by domestic commercial banks during the same period.

(c) Guarantee service

In the event that the guarantee from CEC Finance is required for the application of credit facilities made by the Group to a third party, the standard of guarantee fees charged by CEC Finance shall not be higher than those charged by domestic commercial banks for external guarantees during the same period.

In respect of the fees for other credit financing services and guarantee services, the Group will make reference to and compare to similar services provided by other commercial banks. Meanwhile, the Group will make reference to the fee catalog collected from the points of sales of Bank of Communications (with which the Group has maintained a long-term business relationship and is also one of the most important joint-stock commercial banks in the PRC) to ensure that the fees charged for such business by the Group is not higher than that of other local commercial banks for the same period.

Currently, other businesses of the Group via CEC Finance include basic services of public accounts, inquiries of transaction details in public accounts and receipt replacement, opening of credibility letter, wealth management, mobile banking, electronic payment and online banking withholding by batch. CEC Finance will not charge the Company for any fees in respect of the above business.

(3) CEC Finance shall grant exemptions to the Group from paying remittance and transfer fees when fund settlement is carried out by CEC Finance, and grant exemptions of fees for general planning and consultancy services provided by CEC Finance to the Group, except special financial consulting projects.

(4) CEC Finance shall adequately utilize its financial resources advantages and financial professional advantages to provide financial consultancy on specialized financing such as issuance of corporate bonds and mid-term notes and specialized underwriting services. The standard of fees charged by CEC Finance for these types of specialized financial consultancy services shall not be higher than the standard of fees charged by domestic financial institutions during the same period. Particulars of CEC Finance's advantages are as follows:

   (a) CEC Finance is an underwriter authorized and approved by CBIRC;

   (b) As CEC Finance has maintained business connections with the Company in the ordinary course of business, it is familiar with the production and operation activities of the Group.

(5) The Group agrees to give preference to CEC Finance within the cap provided in the Financial Services Agreement when the terms of service offered by CEC Finance are more favourable than or the same as those offered by independent third parties. Prior to utilizing the financial services of CEC Finance, the Group will verify whether the terms of cooperation provided by CEC Finance are more favourable or not less favourable than the financial services provided by independent third parties through making enquiry with other independent commercial banks for quotations.

(6) CEC Finance shall notify the Company immediately in the event that there are any material changes in its corporate structure, any equity transactions or operational risks which may affect the normal operations of CEC Finance, and the Company shall have the right to discontinue the services provided by CEC Finance in such circumstances.

(7) In the event that CEC Finance encounters any material matters such as run on deposits, failure to meet debt obligations when they fall due, large amount of overdue loan or guarantee advance (i.e. a single loan or guarantee advance of 50% or more of the registered capital of CEC Finance: as at the date of this announcement, CEC Finance has a registered capital of RMB1,750,943,000), severe computer breakdown, being robbed or deceived or any of its directors or senior management found in serious violation of disciplines or involved in a criminal case, it shall immediately notify the Group and take emergency measures as set forth in the Emergency Risk Management Plan for the Deposits Placed with China Electronics Financial Co., Ltd. (《在中國電子財務有限責任公司存款應急風險處置預案》), details of which is set forth on page 46 below.

(8) In case of any other event that may give rise to potential risk regarding the deposits placed by the Group, CEC Finance shall immediately notify the Group and take necessary measures in this regard.

(9) CEC Finance shall provide the Company with: (1) copies of each regulatory report submitted to CBIRC by CEC Finance; (2) the quarterly financial statements of CEC Finance on the tenth business day in the next month after each quarter for the Company's review.

6. Existing Annual Caps: Deposit services: RMB500,000,000

Loan, guarantee and other credit financing services: RMB600,000,000

7	Reasons for the transaction:	Prior to the renewal of Financial Services Agreement, CEC Finance has been providing relevant financial services to the Group. In light of the better and convenient services of CEC Finance, provision of the most favourable interest rates for deposits and loans as well as favourable rates for various financial services to the extent it is allowed by the relevant policies and regulations, exemption from handling fees for fund settlement between the Company and its subsidiaries, the Company intends to renew the Financial Services Agreement to obtain the most favourable financing costs and achieve the best economic efficiency. Given the current prudent monetary policies and the liberalization of interest rate, there are greater possibility and uncertainty on the fluctuation of financing costs, while the liquidity also has greater uncertainty. As such, the Company intends to maintain comprehensive credit line from CEC Finance to obtain stable and reliable financing channels and credit line to diversify and minimize the influence arising therefrom. According to the Risk Assessment Report on China Electronics Financial Co., Ltd. (Xin Kuai Shi Bao Zi [2018] No. ZG29362) (《關於中國電子財務有限責任公司風險評估報告》(信會師報字[2018]第ZG29362號)) issued by BDO China Shu Lun Pan CPAs LLP, the accounting firm, after the assessment and review on the risks related to the fund deposited with CEC Finance, is not aware of any material defects in the risk control system regarding the financial statements of CEC Finance as of 30 June 2018. In conclusion, this connected transaction allows the Group to maintain a stable and reliable financing channel for the long run. By leveraging the professional advantages of CEC Finance and its quality and convenient services, the Group is able to reduce financial costs, improve the effectiveness of capital utilization, enhance the overall economic efficiency, and facilitate the continuous and stable development. The continuing connected transaction will not prejudice the interests of the Company and the minority shareholders.

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

(1) Deposit services

The interest rate of deposits shall not be lower than those offered by domestic commercial banks during the same period.

(2) Loan, guarantees and other credit financing services

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

In the event that the guarantee from CEC Finance is required for the application of credit facilities made by the Group to a third party, the guarantee fees payable to CEC Finance shall not be higher than the standard for guarantee fees charged by domestic commercial banks for external guarantees during the same period.

(3) During the term of Financial Services Agreement, if the Group signs an agreement with a domestic commercial bank, pursuant to which the interest rates for deposits and loans and/or relevant fees agreed by the both parties are more favourable than those provided by CEC Finance in respect of the same business under the Financial Services Agreement, CEC Finance shall, in accordance with the requirements of the Group, adjust the aforementioned interest rates for deposits and loans and/or relevant fees to the same or more favourable standards compared with those provided by such domestic commercial bank.

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

9. Historical figures: The historical amounts of the balance of loan, loan guarantee and other credit financing services provided by CEC Finance to the Group and the deposit balance of the Group with CEC Finance are as follows:

	As at 30 June 2018 *(unaudited)*	**As at 31 December 2017** *(audited)*	**As at 31 December 2016** *(audited)*
Deposit balance *(RMB'000)*	314,300	497,720	497,860
Loan, guarantee and other credit financing services *(RMB'000)*	50,000	22,490	0

Remark: The amounts above are the deposit balances and loan balances of the Group with CEC Finance at the end of the corresponding years or interim period. In 2016 and 2017 and the period from January to June 2018, the deposit balances and loan balances of the Group did not exceed the caps for the corresponding years.

	As at 30 June 2018 *(unaudited)*	**As at 31 December 2017** *(audited)*	**As at 31 December 2016** *(audited)*
Maximum daily deposit balance *(RMB'000)*	494,448	497,720	497,863

10. Proposed cap:

(1) Deposit balance:

The Group deposits part of the available cash with CEC Finance while the remaining will be deposited with other domestic commercial banks to diversify the funding risk. The maximum daily deposit balance of the Group with CEC Finance is RMB500,000,000, which was determined based on (a) the existing business scale of the Group and the demands for sustainable development and expansion thereof; (b) the actual financial services occurred between the Group and CEC Finance.

(2) Loan, guarantee and other credit financing services:

The maximum daily balance of loans and other credit facilities services provided by CEC Finance to the Group shall not exceed RMB600,000,000 during the term of Financial Services Agreement. Such amount was determined based on (a) the existing business scale of the Group and the demands for sustainable development and expansion thereof; (b) the actual financial services occurred between the Group and CEC Finance.

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

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

1.	Agreement:	Agreement for the receipt of sub-contracting services and composite services
2.	Date:	7th November 2018
3.	Term:	1 January 2019 to 31 December 2021
4.	Parties:	(1) the Company (2) CEC
5.	Nature of the transaction:	The sub-contracting services provided by CEC Group to the Group are mainly mechanical processing services, and the composite services are mainly instrument testing services, medical services for the Group's employees (including retired employees) and staff commuter transport services in the ordinary course of business.
6.	Existing Annual Cap:	RMB7 million
7.	Reasons for the transaction:	Entering into an agreement for the provision of the sub-contracting and composite services by CEC Group to the Group has provided the Group with stable and reliable services, and hence the continuation of such transaction is beneficial to and in the interest of the Group.

8. Pricing basis and terms of payment:

CEC Group is entitled to charge the Group reasonable service fees for the services provided based on the fair dealing principle, and the Group shall undertake the corresponding payment obligations. The service fees for the provision of sub-contracting and composite services by CEC Group to the Group shall be determined after arm's length negotiations between the parties and based on the pricing policy (as disclosed below) and normal commercial terms with reference to the prevailing market prices, namely, the service fees paid by the Group to CEC Group shall not be higher than those charged to an independent third party for the same or similar services.

The service fees for the provision of sub-contracting and composite services by CEC Group to the Group shall be determined on a fair and equitable basis with reference to the market prices and government guidance prices.

For the purpose of this agreement, market price refers to the price paid by PRC enterprises in the same industry for receiving services of the same type.

For the purpose of this agreement, government guidance price means the price administration authorities or other relevant government authorities stipulated a basic price and its floating ranges and the operators could within the limits of the guidance determine their own prices.

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

The composite services by CEC Group to the Group are mainly commuter transport services. The service fees charged shall be determined with reference to the publicly available quotations in the local vehicle rental market and the quotations from the local third parties which are engaged in the commuter transport services, including the rental prices from Nanjing Wen'an Car Services Co., Ltd. (南京穩安汽車服務有限公司) (http://www.jsqczl.com/) and the quotations for vehicles for use in the urban area from Nanjing Tianmai Vehicle Rental Services Co., Ltd. (南京天脈汽車租賃有限公司) (http://www.njtmzl.com/news_cont.asp?id=31).

CEC Group provides the Group with regular body check services as the principal medical services for employees of the Group (including retired employees). The transaction amount of such services is expected to maintain at RMB2.15 million per year in the next three years, which is determined with reference to the charging standards of the same or similar services provided by the medical institutions of independent third parties, such as Ikang Guobin Nanjing (愛康國賓南京)(http://www.ikang.com/nj/) and Ciming Check-up Nanjing Company (慈銘體檢南京公司) (http://nj.ciming.com/).

For the commuter transport services and the medical services, the relevant officers of the marketing departments of the relevant subsidiaries of the Company receiving the services will compile the lists of services fees based on the quotations obtained from the websites above for the head of the marketing department to review and approve.

In addition, CEC Group provides the Group with a small volume of instrument testing services, which are mainly regular check of the accuracy and precision of professional equipment, the scale of which is expected to maintain at RMB600,000 per year in the next three years. Government guidance prices are applicable to these services and are determined with reference to the Measured Charging Standards (http://www.jsmi.com.cn/khfw/sfbzcx.aspx) issued by Jiangsu Institute of Metrology (江蘇省計量科學研究院).

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

The terms of payment will be agreed in the separate implementation agreements entered into between the parties pursuant to the CEC Sub-contracting Agreement. The payment terms are on normal commercial terms or terms no less favourable than those offered to the Group by independent third parties.

9. Historical figures: The historical amounts of sub-contracting and composite services received by the Group from PEGL Group are as follows:

	Six months ended 30 June 2018 *(unaudited)*	**Year ended 31 December 2017** *(audited)*	**Year ended 31 December 2016** *(audited)*
Amount *(RMB'000)*	3,210	6,480	3,870

10. Annual Cap: The Board proposes to increase the Annual Cap from RMB7 million to RMB13 million.

Such amount was determined with reference to (1) the historical transaction amounts of the sub-contracting and composite services received by the Group from CEC Group; (2) the estimated increase in the Group's demand for the staff commuter transport services and medical services; and (3) the Company's business development needs.

The increase of RMB6 million in the Annual Cap is mainly due to: (i) as the construction of the Group's staff quarters project in the Panda Electronic Equipment Industrial Park is still at the preliminary stage and the number of employees in the park is on the rise in recent years, which gives rise to the need to increase transport services to accommodate the employees' demand for commuter transport services, the fees of commuter services are expected to increase by RMB2 million each year and stand at RMB6 million per year in the forthcoming three years; (2) as the Group has proactively downsized the traditional machinery processing business to improve quality and enhance efficiency and optimize production capacity, the demand for the machinery processing services provided by CEC Group has increased, thus the fees of processing services are expected to increase by RMB1.50 million each year and stand at RMB3 million per year in the forthcoming three years; and (3) the fees of medical services are expected to increase by RMB1.50 million each year and stand at RMB2.50 million per year in the forthcoming three years as the Company will provide its employees with additional regular health check services in accordance with relevant requirements and the decision of the staff representatives meeting.

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

1.	Agreement:	Agreement for the purchase of materials, components and parts
2.	Date:	7th November 2018
3.	Term:	From 1 January 2019 to 31 December 2021
4.	Parties:	(1) the Company (2) CEC
5.	Nature of transaction:	Products sold by the CEC Group to the Group include: spliced LCD panel; materials, components and parts required for production of mobile communication, information, digital home and electronic equipment products; product packaging materials.
6.	Existing Annual Cap:	RMB103,000,000

7.	Reasons for the Transaction:	Certain equipment, components and parts required for production of equipment products of the Group including automatic transmission equipment and industrial robots still need to be purchased through import and export company of the CEC Group; the Group also needs to purchase certain LCDs with different specifications from LCD panel manufacturers of CEC for OEM and sale of consumer electronic products. The relevant subsidiaries of the Group have increased their procurement from domestic suppliers, and reduced the purchase of raw materials and parts from import and export company of CEC Group, increasing the Localization Rate of parts and components of their products. Due to the reduction in the scale of procurement, the Company needs to reduce the Annual Cap and renew the agreement with CEC for such sales transaction.
8.	Pricing basis and terms of payment:	The CEC Group is entitled to charge the Group reasonable prices for the products sold based on the principle of fair market, and the Group shall undertake the corresponding payment obligations. The price for purchase of materials, components and parts sold by the CEC Group to the Group shall be determined after arm's length negotiation between the parties and based on relevant pricing policy and on normal commercial terms with reference to the prevailing market prices, namely, the selling price charged by the CEC Group to the Group shall be no higher than those charged to an independent third party for the same or similar products. The price for sale of materials, components and parts by the CEC Group to the Group shall be determined on a fair and equitable basis with reference to the market prices. For the purpose of this agreement, market price refers to (1) the price paid by PRC enterprises in the same industry for purchasing products of the same type; or (2) the import price of related products plus the import cost and a certain amount of profit, in case there is no supply of related products sold by CEC Group in the domestic market.

Currently, the Group mainly purchases LCD monitors from CEC Group, and purchases core parts of industrial robots through the import and export company of CEC Group. (1) In respect of LCD monitors, the pricing of LCD products is affected by industrial factors, where the purchasing and selling prices are determined with reference to the change in the average market price and price level of the LCD panels published in "China TV Market Update" (《中國電視市場研究報告》) issued monthly by Sigmaintell Consulting Co., Ltd. (北京群智營銷諮詢有限公司), a company focusing on flat panel display industry research, including flat panel display products, key components and high-end market research. Officers of the sales department of the relevant subsidiaries of the Company purchasing the products will compile the price lists based on the information obtained for the head of the sales department to review and approve; (2) In respect of core parts of industrial robots purchased through import and export company of CEC Group, the purchasing price refers to the sum of the cost of imported products, relevant taxes and import agency fees, and the charging standard of import agency fees is based on the pricing standard for similar services provided by Import and Export Company to independent third parties, which is approximately 1% on the sum of costs of the imported goods. To ensure the commission charged by the Import and Export Company as import agent is fair and reasonable, Import and Export Company will supply the Group with its standard of charges for transactions of similar nature with other third parties provided that no trade secrets of third parties are involved. Further, the officers of the sales department of the relevant subsidiaries of the Company purchasing the products will obtain two to three quotations from independent third parties for similar transactions for comparison to ensure the charging standard provided by Import and Export Company is fair and reasonable.

The relevant payments shall be settled within 20 days upon the individual implementation agreements taking effect which are to be agreed by the parties when such individual agreements are entered into.

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

	Six months ended 30 June 2018 *(unaudited)*	Year ended 31 December 2017 *(audited)*	Year ended 31 December 2016 *(audited)*
Amount *(RMB'000)*	36,950	43,740	47,090

10. Annual Cap: The Board proposes to reduce the Annual Cap from RMB103,000,000 to RMB80,000,000.

Such amount was determined with reference to: (1) the historical amounts of materials, components and parts purchased by the Group from CEC Group; (2) the Company's plan for purchase of materials, components and parts from CEC and its associates in the coming years (mainly involving the purchase of certain LCDs with different specifications from LCD panel manufacturers of CEC for OEM and sale of consumer electronic products).

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

(F) Lease Agreement: Lease of plants and equipment by the Group to NEIIC Group

1. Agreement: The agreement for the provision of lease

2. Date: 7th November 2018

3. Term: From 1 January 2019 to 31 December 2021

4. Parties: (1) the Company

   (2) NEIIC

5.	Nature of transaction:	The Group leases the plants located in the Nanjing Economic and Technological Development Zone and other premises owned by the Group as well as temporarily idle equipment to NEIIC Group to meet its needs of business development.
6.	Existing Annual Cap:	RMB3 million
7.	Reasons for the Transaction:	Certain members of NEIIC Group such as CEC Home Appliances and Nanjing Panda Electronics Transportation Company have been leasing the plants and ancillary equipment of the Group located in the Nanjing Economic and Technological Development Zone and other plants and ancillary equipment owned by the Group as well as some idle motor vehicles for a long time to facilitate their business operations. Therefore, the Group proposes to maintain the Annual Cap for such leases and renew the agreement with NEIIC Group in respect of such leases.
8.	Pricing basis and terms of payment:	The Group is entitled to charge NEIIC Group reasonable rentals for the leased plants and equipment based on the principle of fair market and NEIIC Group shall bear the corresponding payment obligations. The lease of plants and equipment by the Group to NEIIC Group is carried out after arm's length negotiation between the parties in accordance with relevant pricing policy and on normal commercial terms with reference to the prevailing market price, i.e. the rentals charged to NEIIC Group by the Group is the rental charged to an independent third party by the Group for the lease of the same or similar plants and equipment. The Group leases plants and equipment to NEIIC Group and determines the rentals according to the market price on a fair and equitable basis. For the purpose of this agreement, market price refers to rental paid by an independent third party for leasing a plant at a similar location and with similar functions and purposes with the premises leased, and equipment of same or similar type and with same or similar functions and purposes with the equipment leased.

In determining the rentals for leasing the plants and ancillary equipment by the Group to NEIIC Group, references will be first made to the comparable market prices or the standard rates provided by the independent third parties, and then to the prices for similar and related transactions publicly quoted:

(1) for the lease of equipment, the Group mainly let transportation vehicles to NEIIC Group. The amount of such transaction will be determined with reference to the quotations from third parties engaged in local vehicle leasing business. Such quotations will be obtained by the officers of the marketing departments of the relevant subsidiaries of the Company from independent third parties and determined with reference to the vehicle rental prices in the downtown area of Nanjing charged by each of Nanjing Wen'an Car Services Co., Ltd. (http://www.jsqczl.com/), Nanjing Tianmai Vehicle Rental Services Co., Ltd. (南京天脈汽車租賃有限公司) (http://www.njtmzl.com/news_cont.asp？id=31) and Nanjing Yeren Vehicle Rental Co., Ltd. (南京葉仁汽車租賃有限公司) (http://www.njzuche.net/), all being private enterprises; and

(2) for the lease of plants, the officers of the leasing departments of the relevant subsidiaries of the Company will make references to the prices adopted in lease agreements for similar and related plants between the Company and independent third parties. If there is no such transaction, the local market conditions, information provided by property agencies and advertisements published on newspapers and other media will be referred to. Details are as follows:

    (a) to check the property section of local newspapers (such as Jinling Evening News《金陵晚報》or Xian Dai Kuai Bao《現代快報》) for the rental prices of comparable properties;

    (b) if no comparable leases are available, to consult the market rental prices of such properties with two to three property agencies in the place where the plant to be leased is located;

(c) based on the above information, the rental price of the plant will be determined after arm's length negotiation between the head of the leasing department and NEIIC Group.

The rentals shall be paid annually in arrears within seven days after the end of each applicable year.

9. Historical figures: The historical amounts of rentals paid by NEIIC Group to the Group are as follows:

	Six months ended 30 June 2018 *(unaudited)*	Year ended 31 December 2017 *(audited)*	Year ended 31 December 2016 *(audited)*
Amount *(RMB'000)*	940	1,900	1,770

10. Annual Cap: The Board proposes to maintain the Annual Cap at RMB3 million.

The amount has been determined with reference to the historical rental amounts paid by NEIIC Group to the Group.

(G) NEIIC Group Lease Agreement: Lease of plants and equipment by NEIIC Group to the Group

1. Agreement: The agreement for the provision of lease

2. Date: 7th November 2018

3. Term: From 1 January 2019 to 31 December 2021

4. Parties: (1) the Company

(2) NEIIC

5.	Nature of the transaction:	NEIIC Group leases the buildings located in No. 301 East Zhongshan Road in Nanjing and other buildings and temporarily idle equipment owned by NEIIC Group to the Group for its needs of business development.
6.	Existing Annual Cap:	RMB2 million
7.	Reasons for the transaction:	Although the Panda Electronic Equipment Industrial Park of the Group located at No. 7 Jingtian Road in Nanjing has been put into operation, the Group still needs to lease a few office premises and related equipment located at No. 301 East Zhongshan Road in Nanjing from PEGL, in order to deal with external administrative matters as required. Therefore, the Group will renew the agreement with NEIIC Group in respect of such lease.
8.	Pricing basis and terms of payment:	NEIIC Group is entitled to charge the Group reasonable rentals for the leased plants and equipment based on the principle of fair market and the Group shall bear the corresponding payment obligations. The lease of plants and equipment by NEIIC Group to the Group is entered into after arm's length negotiation between the parties and on normal commercial terms with reference to the prevailing market price, i.e. the rentals charged by the NEIIC Group to the Group is the rentals charged to an independent third party for the lease of the same or similar plants and equipment. NEIIC Group leases plants and equipment to the Group and determines the rentals according to the market price on a fair and equitable basis. For the purpose of this agreement, market price refers to rental paid by an independent third party for leasing a plant at a similar location and with similar functions and purposes with the premises leased and equipment of same or similar type and with same or similar functions and purposes with the equipment leased.

In determining the rentals for leasing the plants and equipment by NEIIC Group to the Group, references were first made to the comparable market prices or the standard rates provided by the independent third parties, and then to the prices for similar and related transactions publicly quoted:

(i) for the lease of equipment, NEIIC Group currently mainly let a few pieces of office equipment to the Group to facilitate the Group's lease of office and production place. The rental sums for such transactions were determined with reference to the quotations obtained from independent third parties in the place where the Company is located; and

(ii) for the lease of plants, rentals are determined with reference to the local market conditions, information provided by property agencies and advertisements released on newspapers and via other media;

and the prices adopted in lease agreements for similar and related properties and equipment between the Company and independent third parties.

The rentals shall be paid annually in arrears within seven days after the end of each applicable year.

9. Historical figures: The historical amounts of rentals paid by the Group to NEIIC Group are as follows:

	Six months ended 30 June 2018 *(unaudited)*	**Year ended 31 December 2017** *(audited)*	**Year ended 31 December 2016** *(audited)*
Amount *(RMB'000)*	0	180	360

10. Annual Cap: The Board proposes to maintain the Annual Cap at RMB2 million.

It was arrived at after arm's length negotiation between the parties and on normal commercial terms with reference to the nature of the transaction and the prevailing market prices, being prices no less favourable than those available to or offered by an independent third party for similar leases at similar locations in the PRC.

(H) Trademark License Agreement: Licensing of Trademark by the Group to CEC Home Appliances

1.	Agreement:	Trademark licensing agreement
2.	Date:	7^{th} November 2018
3.	Term:	From 1 January 2019 to 31 December 2021
4.	Parties:	(1) the Company (2) CEC Home Appliances
5.	Nature of the transaction:	The Group grants CEC Home Appliances the right to use the "PANDA" trademark in respect of certain television sets series produced by CEC Home Appliances which do not fall within any product category of the Group and therefore do not constitute horizontal competition. The right to use the "PANDA" trademark granted by the Group to CEC Home Appliances is non-exclusive. CEC Home Appliances undertakes to protect the "PANDA" trademark during the term of the Trademark License Agreement. The agreement shall be established on the date when it is duly signed by the legal representatives or authorized representatives of each of the parties and affixed with common seals, and take effect from the date when it is approved at a general meeting of the Company. NEIIC shall assist the Company to proceed with the filing procedures for the trademark licensing within five business days upon the agreement taking effect. The Company will renew the agreement with CEC Home Appliances for such licensing of trademark in light of the actual circumstances of the trademark license.

6.	Existing Annual Cap:	RMB3 million
7.	Reasons for the transaction:	The grant of the right to use "PANDA" trademark to CEC Home Appliances can provide the Group with a stable source of income and can enhance the brand awareness of the "PANDA" brand which in turn helps generate more revenue for the Group in future. Hence, the entering into of such transaction is beneficial to and in the interest of the Group.
8.	Pricing basis and terms of payment:	The granting of the right to use the "PANDA" trademark to CEC Home Appliances and the license fees for the trademark are determined according to the market price on a fair and equitable basis. The Group will charge license fees of the trademark for the years 2019, 2020 and 2021 based on the CEC Home Appliances' sales of LCD television sets that use the "PANDA" trademark at a rate of RMB3 per set. The abovementioned standard is determined after the arm's length negotiation between the parties and on the normal commercial terms with reference to: (1) the historical standards and amounts of license fees charged by the Group to CEC Home Appliances; (2) the overall operating conditions in the television and commercial LCDs markets in the PRC under severe competition; and (3) the market price paid for the licensing of "PANDA" trademark by other entities (if any). Upon the written confirmation by the Company for the number of relevant television products sold by CEC Home Appliances, CEC Home Appliances shall pay the annual license fees to the Company in the February of each year in arrears during the term of licensing.

9. Historical figures: The historical amounts of the license fees paid by CEC Home Appliances to the Group are as follows:

	Six months ended 30 June 2018 *(unaudited)*	Year ended 31 December 2017 *(audited)*	Year ended 31 December 2016 *(audited)*
Amount *(RMB'000)*	0	480	480

10. Annual Cap: The Board proposes to maintain the Annual Cap at RMB3 million.

The amount was determined based on: (1) the historical license fees paid by CEC Home Appliances to the Group; and (2) the Company's estimate of the demand for the "PANDA" trademark from CEC Home Appliances.

4. INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

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

Selling price of the goods and services charges

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

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

(i) Making references to comparable market prices: the pricing for most of the Group's products and services is determined with reference to comparable market prices. Such pricing basis is adopted for:

- SMT Chip processing services and composite services under (A) the Sub-contracting Agreement;
- provision of raw materials, components and parts under (B) the Sale Agreement;
- services under (C) the Financial Services Agreement;
- sub-contracting services and composite services under (D) the CEC Sub-contracting Agreement;
- (E) the Purchase Agreement;
- (F) the Lease Agreement;
- (G) the NEIIC Group Lease Agreement; and
- (H) the Trademark License Agreement.

(ii) Cost-plus pricing: the Company adopts the cost-plus pricing approach for non-standard products. The marketing department and the technological department will exchange ideas in relation to the technological plans based on customer's needs and determine the final implementation plan and the list of equipment. The technological department will provide the production drawings for machined parts and the procurement list and the procurement department will provide the quotations for the procurement costs based thereon. The production and planning department will quote the labor costs with respect to assembling and commissioning in accordance with the final implementation plan. The officers of the marketing department will calculate the total costs for the project by summing up the procurement, processing and assembling costs and upon the review by the head of the marketing department, the quotation for the project will be determined based on the market prices along with the needs of the customer. The final contract price will be determined after negotiations between the head of the marketing department and the customer. Such pricing basis is adopted for non-standardized products under (B) the Sale Agreement.

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

(2) The legal department of the Company shall conduct review on compliance for each of the transactions under the agreements every three months, while the Company's financial department shall conduct regular review on the pricing and amounts of these transactions under the agreements every three months to ensure the relevant pricing policies have been complied with;

(3) The audit committee of the Company is responsible for the control and daily management (including monitoring the pricing terms) of the connected transactions of the Company. Members of the audit committee would conduct independent random review on the connected transactions every six months, compare with the transactions entered into with independent third parties, obtain reports issued by the Company's accountants on the connected transactions, and review the original copies of orders placed under the CCT Agreements and the letters issued by the accountants in respect of the connected transactions.

Financial services

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

(1) the Company has established a Leadership Team for preventing and addressing deposit risks to be in charge of matters in relation to deposit risk prevention and handling and monitoring the status of deposits with and operations of CEC Finance;

(2) the Company has established a deposit risk reporting system, whereby the finance department will be responsible for drafting the deposit risk assessment report in respect of the operation qualifications, business and risk profile of CEC Finance, which shall be reported to the Board of the Company every six months;

(3) all or part of the deposits placed with CEC Finance will be drawn out occasionally, i.e. twice every financial year, to examine the safety and liquidity thereof and make relevant records in this regard to ensure that the fees paid to or charged by CEC Finance are less than or not more than the fees paid to or charged by independent third parties;

(4) during the period when the Group has deposit(s) placed with CEC Finance, the Company will annually obtain and review the financial report of CEC Finance as audited by a qualified accounting firm, and designate a professional service agency and officers to assess the risk profile of capital placed with CEC Finance every half year. The assessment report will be disclosed in the interim report and annual report of the Company after the consideration and approval by the Board of the Company;

(5) a copy of every regulatory report submitted by CEC Finance to CBIRC will be provided to the Company for review; and

(6) the financial statements of CEC Finance will be provided to the Company for review on the tenth business day after the end of each quarter.

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

1. If a deposit risk has occurred, the finance department of the Company will report to the Leadership Team of the Company immediately. Upon CEC Finance providing the Company with details of the risk, the Leadership Team shall look into the causes behind the risk and analyze the dynamics of the risk. The Leadership Team will also implement the measures and duties for resolving risks as stipulated in the risk response plan for resolving risk and formulate a plan for coping with the risk. The plan shall be amended and supplemented timely based on the changes and developments of the deposit risk and the issues identified during the implementation.

2. The Leadership Team shall convene a joint meeting with CEC Finance with regard to risks that occurred and prompt CEC Finance to take proactive measures in a bid to mitigate the risks and prevent the risks from spreading and expanding.

3. The Company shall strictly exercise the rights granted to it under its articles of association and exercise all legal rights to safeguard the interests of the Company against being damaged whenever necessary.

4. The finance department shall report on the execution and implementation of the risk response plan to the Leadership Team and the Board on a timely basis. The Leadership Team and the Board may adjust the risks response plan for coping with the risks in accordance with the actual circumstances when executing and implementing the risk response plan.

5. After the contingent deposit risks subside, the Leadership Team shall reinforce its supervision on CEC Finance. The Leadership Team shall request CEC Finance to strengthen its funds and increase the anti-risk capacity and re-evaluate the deposit risks of CEC Finance and adjust the proportion of deposits if necessary.

6. The Leadership Team, together with CEC Finance, shall analyze and summarize the causes behind the contingent deposit risks and the consequences, so as to better prevent and cope with the deposit risks. If the factors that affect the risks cannot be eliminated within a reasonable time, all the deposits shall be withdrawn.

The responsibilities of the Leadership Team include:

1. Accountable to the Board and has full responsibility for preventing and coping with deposit risks;

2. To receive report(s) on deposit risks prepared by relevant departments of the Company and review the risk evaluation report submitted by the finance department;

3. To present the risk evaluation report to the Board on a regular basis;

4. To activate the emergency response plan when necessary and perform the obligation of disclosing the corresponding information;

5. To organize investigations and analyses and formulate risk response plans upon the activation of the emergency response plan;

6. To track the implementation of the risk response plan and make adjustments to the same in accordance with the circumstances when executing and implementing the plan;

7. To act on behalf of the Company to negotiate with CEC Finance on matters regarding the prevention of and response to the deposit risks;

8. To act on behalf of the Company to exercise all legal rights to safeguard the interests of the Company against being damaged.

Deposit risks include the following circumstances:

(1) CEC Finance in breach of the provisions under Articles 31 (shall not engage in offshore business), 32 (shall not engage in non-financial services business including industrial investment or trading) or 33 (branches of a finance company shall not provide guarantee service) of the "Measures for the Administration of Finance Companies of Enterprise Groups"(《企業集團財務公司管理辦法》);

(2) CEC Finance not in compliance with any of the gearing ratio requirements under Article 34 of the Measures for the Administration of Finance Companies of Enterprise Groups"(《企業集團財務公司管理辦法》);

(3) CEC Finance encounters any run on deposits, insolvency, substantial amount of overdue loans or guarantee advances (i.e. 50% or more of the registered capital of CEC Finance), computer system breakdowns, robbery or fraud, involvement of its director(s) or senior management in serious disciplinary offences or criminal offences and other material matters;

(4) CEC Finance suffers substantial losses in its negotiable securities investment business in an amount that reaches 50% of the registered capital of CEC Finance;

(5) any matter such as significant organizational changes, equity transactions or operational risks that may affect the normal operations of CEC Finance has taken place;

(6) the balance of the loans advanced by CEC Finance to a single shareholder exceeds 50% of the registered capital of CEC Finance or the contribution made to CEC Finance by the said shareholder;

(7) the balance of the deposits placed with CEC Finance by the Company exceeds 50% of the deposits taken by CEC Finance;

(8) any liabilities due to CEC Finance by any of its shareholder(s) remains unpaid for more than one year;

(9) CEC Finance has recorded losses exceeding 30% of its registered capital for the current year or exceeding 10% of its registered capital for 3 successive years;

(10) CEC Finance has received administrative punishment from regulatory authorities such as CBIRC due to activities in breach of laws and regulations;

(11) CEC Finance is ordered to make rectification by CBIRC; and

(12) other matters which, in the opinion of the Directors, may bring potential threats to the safety of the Company's deposits.

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

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

It is expected that the provision of the sub-contracting services and composite services agreement and the agreement on the sale of materials, components and parts will provide a stable source of income to the Group, and that the Group will secure a steady and reliable supply of quality services, materials, components and parts through the acceptance of the sub-contracting services and composite services agreement and the agreement on the purchase of materials, components and parts.

Due to the proximity of the plants and office premises of the Group and NEIIC Group, for the convenience of conducting businesses and in order to enhance operational efficiency, both parties lease the premises for production, storage and office use and relevant equipment to each other. As the Group and NEIIC Group have been relocated to their own industry parks successively, there is lesser demand for mutual lease; however, both parties still retain a small portion of leasing businesses so as to satisfy the needs in the course of business operation.

The trademark licensing business constitutes a continuing connected transaction of the members of the Group and PEGL Group and is in line with the practical situation and needs of the Group.

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

The Group had renewed relevant agreements with relevant counterparties under CEC, NEIIC, CEC Finance and CEC Home Appliances in relation to such continuing connected transactions.

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

Taking into account the above, the Directors are of the view that the renewal of CEC Sub-contracting Agreement, Purchase Agreement, Lease Agreement, NEIIC Group Lease Agreement and Trademark License Agreement is favorable to the stability of the production and operation of the Company, and the terms of these agreements are fair and reasonable. These agreements will be conducted on normal commercial terms in the usual course of business and are in the interest of the Company and all Shareholders as a whole and does not have an impact on the independence of the Company. The revised Annual Caps under the continuing connected transactions will better suit the practical situation and development needs of the Company.

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

6. REQUIREMENTS UNDER THE LISTING RULES

As mentioned above, CEC is the controlling shareholder of NEIIC and the de facto controller of the Company; NEIIC is the controlling shareholder of PEGL, the controlling shareholder of the Company, and holds 6.93% equity interest in the Company; CEC Finance is a company controlled by CEC; and CEC Home Appliances is a controlling subsidiary of PEGL, CEC, NEIIC, PEGL, CEC Finance, CEC Home Appliances and their respective associates therefore constitute connected persons of the Company under the Hong Kong Listing Rules and the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company.

Financial Services Agreement

Deposit services

As one of the applicable percentage ratios of the deposit transactions contemplated under the Financial Services Agreement exceed 25%, such transaction constitutes a major transaction under Chapter 14 of the Hong Kong Listing Rules and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements. In addition, as the applicable percentage ratios of the deposit transactions contemplated under the Financial Services Agreement exceed 5%, and the relevant annual consideration is more than HK$10,000,000, such transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Loan and guarantee services

As the provision of loan and guarantee services by CEC Finance to the Group is for the benefit of the Group on normal commercial terms where no security over the assets will be granted by the Group to CEC Finance in respect of such services, the continuing connected transactions involving the provision of loan and guarantee services are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Hong Kong Listing Rules.

Settlement services

CEC Finance will not charge the Group any fees for the fund settlement of the Group with CEC Finance, and as such, the continuing connected transactions involving the provision of the said services are exempt from the reporting, announcement and Independent Shareholders' approval requirements.

Other credit financial services not included in the Financial Services Agreement

As at the date of this announcement, the Company has not entered into any separate agreements with CEC Finance for the provision of other credit financial services not included in the Financial Services Agreement. The Company will comply with the applicable notification, disclosure and/or Shareholders' approval requirements under the Hong Kong Listing Rules in the event that it enters into any such separate agreements with CEC Finance.

Implications under the Hong Kong Listing Rules

As the respective applicable percentage ratios for the transactions contemplated under the Sub-contracting Agreement exceeds 5% and the relevant annual consideration is more than HK$10,000,000, and the respective applicable percentage ratios for transactions contemplated under the Sale Agreement and the proposed deposit transactions contemplated under the Financial Services Agreement exceed 25%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one of the applicable percentage ratios in respect of the deposit transactions contemplated under the Financial Services Agreement exceeds 25%, such transaction constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

However, as the respective applicable percentage ratios for the transactions contemplated under CEC Sub-contracting Agreement, the Purchase Agreement, Lease Agreement, NEIIC Group Lease Agreement and Trademark License Agreement are below 5%, such transactions are only subject to the reporting, annual review and announcement requirements and are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Implications under the Shanghai Listing Rules

Since the A shares of the Company are listed on the Shanghai Stock Exchange, the Company shall also comply with the relevant stipulations under the Shanghai Listing Rules. According to the Shanghai Listing Rules and other relevant requirements, all transactions (including the relevant proposed Annual Caps) contemplated under the CCT Agreements shall be subject to the announcement and Independent Shareholders' approval requirements.

7. GENERAL INFORMATION

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

The Company has established the Independent Board Committee to advise the Independent Shareholders on the renewal of the Sub-contracting Agreement, Sale Agreement and Financial Services Agreement. Gram Capital was appointed as the Independent Financial Adviser to advise Independent Board Committee and the Independent Shareholders on the renewal of the Sub-contracting Agreement, Sale Agreement and Financial Services Agreement.

If the amounts under the renewed continuing connected transactions for the years ending 31 December 2019, 31 December 2020 and 31 December 2021 exceed the Annual Caps or there are material changes in the agreed terms on the renewed continuing connected transactions, the Company will make disclosure in a timely manner in accordance with relevant requirements of the Shanghai Stock Exchange and the Stock Exchange.

A circular containing, among other things, (i) further details on the renewal of the existing continuing connected transactions under the CCT Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders will be published on the websites of the Stock Exchange and the Company.

8. INFORMATION ON THE PARTIES

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

The PEGL Group is principally engaged in the development, manufacture and sale of communication equipment, home appliance products, electronic equipment, computer and other electronic equipment; instruments and apparatus, and office machines; environmental protection, social public services and other equipment; financial tax control products, power supply products; development of computers and IT software, system integration equipment and services; technology development and services; real estate development; and property management.

The NEIIC Group is principally engaged in the R&D, services and transfer of electronic information technologies; R&D, manufacture, sale and relevant services of electronic products; design, construction and relevant services of electronic engineering; investment in real estate; property management; industrial investment and assets operation and management services.

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.

For further details on PEGL, NEIIC and CEC, please see relevant information in Section VI to the 2017 Annual Report of the Company.

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

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

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

The CEC Finance has a registered capital of RMB1.750943 billion and is held by CEC, the largest shareholder and ultimate controller, as to 61.3835% equity interests. As such, CEC Finance is a connected legal person of the Company under the Shanghai Listing Rules and the Hong Kong Listing Rules.

As of 31 December 2017, CEC Finance has deposits at banks of RMB17,264 million with RMB1,314 million placed with the central bank. In 2017, it achieved interest income of RMB344 million and total profit of RMB357 million with net profit of RMB285 million. As of 30 June 2018, CEC Finance has deposits at banks of RMB5,674 million with RMB1,239 million placed with the central bank; during the period from January to June 2018, it achieved interest income of RMB185 million and total profit of RMB218 million with net profit of RMB158 million.

9. DEFINITIONS

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

"Annual Cap(s)"	the proposed annual caps of the existing continuing connected transactions under the existing CCT Agreements;
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"Board"	the board of Directors;
"BOM"	a bill of materials, which is a list of materials, components, parts, sub-assemblies, and the quantities of each required for the manufacture of a product;
"Business Days"	any day on which the Stock Exchange is open for the business of dealing in securities;
"CBIRC"	China Banking and Insurance Regulatory Commission;
"CCT Agreements"	(A) Sub-contracting Agreement, (B) Sale Agreement, (C) Financial Services Agreement, (D) CEC Sub-contracting Agreement, (E) Purchase Agreement, (F) Lease Agreement, (G) NEIIC Group Lease Agreement and (H) Trademark License Agreement;
"CEC"	China Electronics Corporation (中國電子信息產業集團有限公司), the de facto controller of the Company;
"CEC Finance"	China Electronics Financial Co., Ltd. (中國電子財務有限責任公司), a company incorporated in the PRC and a non-banking financial institution of CEC, the shares of which are owned as to 61.3835% by CEC and 25.1293% by NEIIC;
"CEC Group"	CEC, its subsidiaries (for the purpose of this announcement excluding the Group), its holding companies and their respective associates;

"CEC Home Appliances"	Nanjing CEC Panda Home Appliances Co., Ltd. (南京中電熊猫家電有限公司), a subsidiary controlled by PEGL;
"CEC Sub-contracting Agreement"	the sub-contracting services and composite services agreement entered into between the Company and CEC for the provision of services by CEC Group to the Group;
"Chengdu Display Technology"	Chengdu CEC Panda Display Technology Co., Ltd. (成都中電熊猫顯示科技有限公司), a company incorporated under the laws of the PRC and a related party of NEIIC;
"Communications Technology Company"	Nanjing Panda Communications Technology Co., Ltd. (南京熊猫通信科技有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
"Company"	Nanjing Panda Electronics Company Limited (南京熊猫電子股份有限公司), a joint stock company incorporated in the PRC with limited liability;
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve, among other matters, the CCT Agreements and the Annual Caps;
"Electronics Equipment Company"	Nanjing Panda Electronics Equipment Co., Ltd. (南京熊猫電子裝備有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
"Electronics Manufacturing Company"	Nanjing Panda Electronics Manufacturing Co., Ltd. (南京熊猫電子製造有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
"Existing Annual Cap(s)"	the maximum aggregate annual value of each of the existing continuing connected transactions;

"Financial Services Agreement"	the agreement entered into between the Company and CEC Finance for the provision of financial services by CEC Finance to the Group;
"fund settlement"	the receipt and payment of funds, the acceptance and discount of commercial bills arising from the ordinary course of business of the Group such as commodities trading and the provision of services in its day-to-day production and operations;
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Hong Kong Securities and Futures Ordinance and an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Sub-contracting Agreement, the Sale Agreement and the Financial Services Agreement;
"Group"	the Company and its subsidiaries;
"guarantee advance"	in the event that the Group fails to settle any payables in full when they become due because of lack of liquidity or other reasons, CEC Finance shall provide a guarantee on the payables and make payment for the same on behalf of the Group;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time;
"Import and Export Company"	Nanjing Panda Electronics Import and Export Company Limited(南京熊貓電子進出口有限公司), a wholly-owned subsidiary of PEGL;
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun;

"Independent Shareholders"	Shareholders other than CEC and its associates, NEIIC and its associates, PEGL and its associates;
"independent third party(ies)"	third party(ies) independent of the Company and its connected person(s) as defined in the Hong Kong Listing Rules;
"Information Industry Company"	Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司), a company incorporated under the laws of the PRC and a subsidiary of the Company;
"LCD Material Technology"	Nanjing CEC Panda LCD Material Technology Co., Ltd. (南京中電熊猫液晶材料科技有限公司), a company incorporated under the laws of the PRC and a non-wholly owned subsidiary of CEC (the de facto controller of the Company);
"LCD Technology"	Nanjing CEC Panda LCD Technology Co., Ltd. (南京中電熊猫液晶顯示科技有限公司), a company incorporated under the laws of the PRC and a non-wholly owned subsidiary of CEC (the de facto controller of the Company);
"Leadership Team"	the team set up for preventing and resolving any deposit risks, of which the general manager is principally responsible for the prevention and resolution of deposit risks as the team leader, and the financial controller of the Company acts as deputy team leader. The team leader and deputy team leader are responsible for organizing work to prevent and resolve the deposit risks. As the risk response organization, once risks occur or may occur in Finance Company, the Leadership Team shall activate an emergency response plan pursuant to the prescribed procedures;
"Lease Agreement"	the lease agreement entered into between the Company and NEIIC for the lease of factory premises and equipment by the Group to NEIIC Group;
"Localization Rate"	the percentage of domestically produced parts and components among those used to create a product;

"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;
"NEIIC Group"	NEIIC, its subsidiaries (for the purpose of this announcement, excluding the Group), its holding companies and their respective associates;
"NEIIC Group Lease Agreement"	the lease agreement entered into between the Group and NEIIC for the lease of factory premises and equipment by NEIIC Group to the Group;
"Panel Display Technology"	Nanjing CEC Panda Panel Display Technology Co., Ltd. (南京中電熊貓平板顯示科技有限公司), a company incorporated under the laws of the PRC and a non-wholly owned subsidiary of CEC (the de facto controller of the Company);
"PEGL"	Panda Electronics Group Limited (熊貓電子集團有限公司), the controlling Shareholder of the Company, holding approximately 23.05% of the total issued share capital of the Company as at the date of this announcement;
"PEGL Group"	PEGL and its subsidiaries;
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
"Purchase Agreement"	the agreement on the sale of materials, components and parts entered into between the Company and CEC for the sale of materials by the Group to CEC Group;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Agreement"	the agreement on the sale of materials, components and parts entered into between the Company and CEC for the sale of materials by the Group to CEC Group;
"Shanghai Listing Rules"	The Rules Governing the Listing of Securities on the Shanghai Stock Exchange;
"Shareholder(s)"	holder(s) of the share(s) of the Company;

"SMT" or "SMT Chip"	SMT refers to surface mounted technology, which is currently the most popular technology and processing method in the electronic assembly industry; a SMT Chip is the abbreviation of a series of procedures for printed circuit boards processing;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sub-contracting Agreement"	the sub-contracting services and composite services agreement entered into between the Company and CEC for the provision of services by the Group to CEC Group;
"T-CON Board"	a timing controller board, which is used to process and control the timing signals necessary for the display panel to function in a synchronized manner and generate control signals to directly drive the display panel;
"Trademark License Agreement"	the trademark license agreement entered into between the Company and CEC Home Appliances for the licensing of PANDA trademark by the Group;
"Xinxing Industrial Company"	Nanjing Panda Xinxing Industrial Co., Ltd. (南京熊猫新興實業有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company;
"%"	per cent.

By Order of Board
Nanjing Panda Electronics Company Limited
Xu Guofei
Chairman

Nanjing, the People's Republic of China
7 November 2018

As at the date of this announcement, the Board comprises Executive Directors: Mr. Xu Guofei, Mr. Chen Kuanyi and Mr. Xia Dechuan; Non-executive Directors: Mr. Lu Qing, Mr. Deng Weiming and Mr. Gao Gan; and Independent Non-executive Directors: Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun.