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南京熊猫电子股份有限公司

NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

PROPOSED ADOPTION OF SHAREHOLDERS' RETURN PLAN (2019–2021)

In order to further improve and perfect the profit distribution decision-making procedures and supervision mechanism of Nanjing Panda Electronics Company Limited (the “**Company**”), ensure the continuity and stability of profit distribution policies, reinforce the transparency and operability of profit distribution decision-making procedures, actively reward its shareholders, steer investors towards long-term and reasonable investment, earnestly protect the lawful interest of investors, according to the requirement of the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies” (Zheng Jian Fa [2012] No. 37), the “Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies” (CSRC Announcement [2013] No. 43) promulgated by the China Securities Regulatory Commission and other relevant documents, and the provisions of its Articles of Association, the board of directors of the Company proposes to adopt the Shareholders’ Return Plan of Nanjing Panda Electronics Company Limited (2019–2021) (the “**Shareholders’ Return Plan**” or the “**Plan**”), details of which are set out below:

ARTICLE 1 FACTORS TAKEN INTO ACCOUNT IN FORMULATION OF THE PLAN

In order to achieve long-term and sustainable development, the Company, after analyzing factors such as its actual operation conditions, the demands and desires of shareholders, costs of social capital and external financing environment and taking into full account its development plans and goals, future profit, cash flow status, current stage of development, capital requirement, etc., shall establish a continuous, stable, scientific and transparent plan and mechanism for rewarding investors and make institutional arrangements for profit distribution to ensure the continuity and stability of profit distribution policies.

ARTICLE 2 PRINCIPLES FOR FORMULATION OF THE PLAN

1. The Shareholders' Return Plan shall take into full account and listen to the opinions and demands of independent directors, supervisors and minority shareholders. It shall guarantee the normal operation and business development of the Company as well as provide investors with reasonable investment return to safeguard the legitimate interests of minority shareholders in a practical way and implement continuous and stable profit distribution policies.
2. The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. On the condition that profit is recorded and there is sufficient cash to support the ongoing operation and long-term development of the Company, the Company shall actively distribute dividends in the form of cash. Cash dividend distribution shall enjoy preference over share dividend in profit distribution.
3. The Company conducts one profit distribution each year in principle. The board of directors of the Company may propose interim dividend distribution based on the Company's profit, cash flows, development stages and capital needs.

ARTICLE 3 SPECIFIC CONTENTS OF THE PLAN

(I) Principles for dividends distribution

The Company's profit distribution policies shall focus on providing investors with reasonable investment return and it shall keep the continuity and stability of profit distribution policies. The profits distributed by the Company shall not exceed the accumulated distributable profits or jeopardise the ability of sustainable operation of the Company.

(II) Form of dividends distribution

The Company may distribute dividends in the form of cash, shares, a combination of cash and shares or other forms permitted by laws and regulations. On the condition that profit is recorded and there is sufficient cash to support the ongoing operation and long-term development of the Company, the Company shall actively and preferentially distribute dividends in the form of cash. The Company shall combine its shares capital, development prospect, profit growth and cash flow status, etc., when adopting dividends distribution in form of cash, to formulate reasonable plan.

(III) Conditions for cash dividend distribution

All the following conditions shall be satisfied when the Company proposes cash dividend distribution:

1. The distributable profit (i.e. after-tax profit net of the profit used for making up for losses and the profit transferred to the statutory reserve fund) for the year is positive and the cash flow of the Company after the cash dividend distribution can meet the demands for normal production and operation of the Company;
2. The auditing firm has issued a standard audit report with unqualified opinions on the financial report for the year (interim cash dividend distribution is not subject to audit).

(IV) The provision regarding the ratio of dividends distribution

The Company's cash dividend policy adopts the fixed ratio policy, i.e. distributing cash dividend at a fixed percentage of distributable profit realized by the Company. The profits which the Company has accumulatively distributed in cash in the last three years shall not be less than 30% of the average annual distributable profit realized in the last three years. If the board of directors of the Company has not prepared the proposal for profit distribution in cash, it shall disclose in its periodic reports the reasons for not distributing dividends and the purposes of the funds, which are not distributed as dividends, accumulated by the Company. If the Company has not distributed profits in cash in the last three years, the Company shall not issue to the public new shares, convertible bonds or place shares with existing shareholders.

Whenever the Company distributes dividends, an announcement in respect thereof shall be made to shareholders. No profit shall be distributed in respect of the shares held by the Company.

Dividends payable to the holders of the overseas-listed foreign-invested shares of the Company shall be denominated and declared in Renminbi and paid in foreign currencies. Dividends payable on foreign-invested shares listed in Hong Kong shall be paid in Hong Kong dollars.

The board of directors shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, and differentiate the following circumstances and formulate differentiated cash dividend policies in accordance with the procedures under the Articles of Association:

- (1) Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits;
- (2) Where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits;
- (3) Where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

(V) Time intervals for dividends distribution

Subject to the satisfaction of the aforesaid condition in cash dividend distribution, the Company shall actively distribute dividends in the form of cash. In principle, the Company shall distribute dividends in cash once a year. The board of directors of the Company can propose to the Company to carry out interim cash dividend distribution in accordance with its profit and capital requirement. After the profit distribution plan is approved at the general meeting of the Company, the board of directors of the Company shall complete the distribution of the dividends (or shares) within two months after convening the shareholders' general meeting.

(VI) Conditions of stocks dividend distribution

In accordance with the Company's yearly profit and cash flow status and on the condition that the ratio of cash dividends distribution is guaranteed and capital scale and equity structure of its shares is reasonable, the Company may consider to carry out stocks dividend distribution. The specific plan shall be passed by the board of directors of the Company before submitting to the general meeting of the Company for approval.

ARTICLE 4 TIME INTERVALS FOR FORMULATION OF THE SHAREHOLDERS' DIVIDEND RETURN PLAN AND RELEVANT DECISION-MAKING MECHANISM

1. The board of directors of the Company shall, in accordance with the Company's profit distribution policies and its actual circumstances, combine the opinions of independent directors, supervisory committee and shareholders to formulate the Shareholders' Dividend Return Plan, and shall review the Shareholders' Dividend Return Plan at least once every three years. When making decisions on and formulating its profit distribution proposal, the board of directors shall listen fully to the opinions and demands of independent directors and record in detail the advice of the management, key points of the speeches of directors present at the meeting, opinions of independent directors, voting results of the board of directors, etc. and form written minutes to be properly kept as the Company's records.
2. When considering the cash dividend distribution plan, the board of directors of the Company shall carefully consider and deeply deliberate the timing, conditions and minimum percentage, etc., and independent directors shall express their opinions thereon. Independent directors can collect advice from minority shareholders and prepare a cash dividend distribution proposal which can be directly proposed to the board of directors for its consideration.
3. When the profit distribution plan (including the cash dividend distribution plan) is considered at the general meeting, the Company shall actively communicate and exchange ideas through multiple channels with shareholders (minority shareholders in particular), listen fully to the opinions and demands of minority shareholders, and give timely replies to issues that concern minority shareholders by ways of open solicitation and convening discussion meetings, etc.

4. If profit is recorded in the reporting period but the board of directors of the Company does not put forth a cash dividend distribution proposal, reasons therefor and the use of capital that may otherwise be used as dividends but has been retained by the Company, as well as the expected profit, the consideration and voting at the board meeting shall be disclosed in its periodic report, and independent directors shall express independent opinions thereon.
5. The Company's profit distribution policy shall be formulated by the board of directors of the Company and be implemented upon consideration and approval by shareholders at the general meeting. The profit distribution proposal proposed by the board of directors of the Company shall be passed by majority votes of the board of directors of the Company. Independent directors shall provide their independent opinions on the formulation of or amendment to the profit distribution policy. If the Company needs to adjust its profit distribution policy and Shareholders' Return Plan considered and passed at the general meeting by way of amending the Articles of Association due to significant changes in the external operating environment or its own operation, with the protection of shareholders' interests as the starting point and after discussing the relevant matters in detail, the board of directors of the Company shall put forward a proposal for adjusting the profit distribution policy and Shareholders' Return Plan to the general meeting for consideration and approval and shall be passed by shareholders present in the meeting representing not less than two-thirds of voting rights.
6. The Company shall strictly implement the cash dividend policy as determined in the Articles of Association and the specific plan for distribution of cash dividends as considered and approved at the general meeting, and shall disclose the formulation and implementation of cash dividend policy in detail in its periodic reports. If there is any adjustment or change to the cash dividend policy, detailed descriptions shall be provided on the regulatory compliance and transparency regarding the conditions and procedures for such adjustment or change.

7. The supervisory committee of the Company shall monitor the execution of cash dividend policy and the Shareholders' Return Plan carried out by the board of directors, as well as the execution of appropriate decision-making procedures and the information disclosure. The supervisory committee shall express explicit opinions and urge the Board to make correction in a timely manner in case of any of the following circumstances:
 - (1) Failure to strictly implement the cash dividend policy and Shareholders' Return Plan;
 - (2) Failure to strictly execute appropriate decision-making procedures for cash dividends;
 - (3) Failure to make an authentic, accurate and complete disclosure of the cash dividend policy and its implementation.
8. The Company encourages medium and small investors and institutional investors to participate in the decision-making for profit distribution of the Company in accordance with relevant regulations.

ARTICLE 5 MATTERS NOT COVERED AND VALIDITY MECHANISM

1. The matters not covered in the plan shall be executed in accordance with relevant laws, regulations, regulatory documents and the Articles of Association.
2. The right to interpret the Plan shall vest in the Board of the Company. The Plan and its amendments shall be implemented and effective from the date of its approval at the general meeting of the Company.

Note: The Shareholders' Return Plan is written in Chinese and there is no official English translation in respect thereof. The English translation is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

2018 ANNUAL GENERAL MEETING

The Shareholders' Return Plan is subject to approval by shareholders at the annual general meeting. The notice of 2018 annual general meeting and the supplemental notice of 2018 annual general meeting were despatched to the shareholders on 10 May 2019 and 28 May 2019, respectively.

The board of directors considers that the Shareholders' Return Plan is in the interests of the Company and the Shareholders and recommends the shareholders to vote in favour of the resolution at the 2018 annual general meeting.

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

Nanjing, the People's Republic of China
28 June 2019

As at the date of this announcement, the Board comprises Executive Director: Mr. Zhou Guixiang, Mr. Lu Qing and Mr. Xia Dechuan; Non-executive Directors: Mr. Shen Jianlong, Mr. Deng Weiming and Mr. Gao Gan; and Independent Non-executive Directors: Ms. Du Jie, Mr. Zhang Chun and Mr. Gao Yajun.