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## **南京熊猫电子股份有限公司**

### **NANJING PANDA ELECTRONICS COMPANY LIMITED**

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

(Stock Code: 00553)

### **DISCLOSEABLE AND CONNECTED TRANSACTION TRANSFER OF PROPERTY**

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

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is more than 5% but less than 25%, the Agreement and the Transaction contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

PEGL is the controlling shareholder of the Company, and Investment Development Company is a wholly-owned subsidiary of PEGL, hence, the Agreement and the Transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will form an independent board committee to advise the Independent Shareholders on the Agreement and the Transaction. Gram Capital has been appointed to advise the independent board committee and the Independent Shareholders in this regard. PEGL and its associates will abstain from voting at the extraordinary general meeting to be convened to consider and approve (if thought fit) the Agreement and the Transaction.

A circular containing, among other things, (i) further details of the Agreement, (ii) a letter of advice from the independent board committee to the Independent Shareholders, (iii) a letter of advice from Gram Capital to the independent board committee and the Independent Shareholders, and (iv) other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable but not later than 13 October 2017.

**The Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

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

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

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

## **THE AGREEMENT**

### **Date**

21 September 2017

### **Parties**

- (1) the Company
- (2) PEGL
- (3) Investment Development Company

### **Condition Precedent**

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

### **Transfer**

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

### **Compensation Scheme**

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

- (a) execute the Nanjing Commodity Property Pre-sale Contract (南京市商品房預售合同) before delivery of the Property to PEGL; the filing procedures with the competent PRC real estate authorities shall be completed within thirty working days after the execution of the contract and the Compensation Properties shall be delivered to the Company by no later than 31 December 2018;
- (b) the Compensation Properties shall be delivered in bare-shell condition and be in compliance with the PRC national quality and safety standards and the PRC national completion inspection and acceptance standards; and
- (c) the Compensation Properties are for research and office purposes.

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

## **Basis for Determination of the Compensation**

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

### **Valuation of the Property**

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

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

### **Valuation of the Compensation Properties**

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

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

### **Transaction Price**

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

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

### **Settlement of the Shortfall**

As the above area for each of the Compensation Properties is an estimate and is subject to the area stated in the property ownership certificates to be issued by the competent real estate authorities, the price of the Compensation Properties is thus subject to adjustment. It is estimated that the corresponding Shortfall shall be payable by the Company to Investment Development Company and the parties agree that the maximum amount of such Shortfall shall not exceed RMB30,000,000. If the Shortfall payable by the Company as calculated based on the actual calculations (i.e. calculated based on the above relevant agreed unit price) exceeds RMB30,000,000, the parties to the Agreement agree that the Company only needs to pay RMB30,000,000.

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

### **Taxation**

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

## **INFORMATION ON THE PROPERTY AND THE COMPENSATION PROPERTIES**

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

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

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

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

## **REASONS FOR AND BENEFITS OF THE TRANSFER**

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

Having considered the following factors, the Directors (excluding the independent non-executive Directors who will express their views after receiving advice from Gram Capital) are of the opinion that the compensation scheme and the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole:

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

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction is more than 5% but less than 25%, the Agreement and the Transaction contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

PEGL is the controlling shareholder of the Company, and Investment Development Company is a wholly-owned subsidiary of PEGE, hence, the Agreement and the Transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will form an independent board committee to advise the Independent Shareholders on the Agreement and the Transaction. Gram Capital has been appointed to advise the independent board committee and the Independent Shareholders in this regard. PEGE and its associates will be required to abstain from voting at the extraordinary general meeting to be convened to consider and approve (if thought fit) the Agreement and the Transaction.

A circular containing, among other things, (i) further details of the Agreement, (ii) a letter of advice from the independent board committee to the Independent Shareholders, (iii) a letter of advice from Gram Capital to the independent board committee and the Independent Shareholders, and (iv) other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable but not later than 13 October 2017.

## **INFORMATION OF ON THE PARTIES**

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

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

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

**The Board hereby advises the investors and Shareholders to exercise caution when dealing in the shares of the Company.**



## DEFINITIONS

Unless the context otherwise requires, the following terms used herein have the following meanings:

“Agreement”	the property disposal agreement (物業處置協議) entered into among the Company, PEGL and Investment Development Company on 21 September 2017 in respect of the Transaction
“Board”	the board of Directors
“Company”	Nanjing Panda Electronics Company Limited, a joint stock company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively.
“Compensation Properties”	the first floor, mezzanine floor, the second to the fourth floors and the fourteenth to the seventeenth floors in Building A of the research centre developed and constructed by PEGL and Investment Development Company on Land Lot 301, with an estimated total area of approximately 29,547.05 sq.m., particulars of which are set out in the Agreement and this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Gram Capital”	Gram Capital limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and being the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Agreement and the Transaction contemplated thereunder

“Independent Shareholders”	Shareholders not involved in or have interests in the Agreement or the Transaction
“Investment Development Company”	Nanjing Panda Investment Development Company Limited (南京熊貓投資發展有限公司), a wholly-owned subsidiary of PEGL
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PEGL”	Panda Electronics Group Limited (熊貓電子集團有限公司), the controlling Shareholder of the Company, having control over the composition of the majority of the Board and 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 Special Administrative Region and Taiwan)
“Property”	the No.54 building, together its ancillary facilities and structures erected on No.301 Zhongshan East Road, Xuanwu District, Nanjing, the PRC, which is owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of share(s) of the Company
“Shortfall”	the difference between the transaction price of the Compensation Properties as adjusted in accordance with the property ownership certificate and the Property Transaction Price
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	transfer of the Property by the Company and transfer of the Compensation Properties to the Company as compensation pursuant to the Agreement
“%”	per cent

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.188. The relevant conversion shall not be interpreted as a representation that any amounts have been, may have been or were exchanged at any specific rates or at all.*

By order of the Board  
**Nanjing Panda Electronics Company Limited**  
**Xu Guofei**  
*Chairman*

Nanjing, the People's Republic of China  
21 September 2017

*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. Chu Wai Tsun, Vincent and Mr. Zhang Chun.*