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南京熊貓電子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

VOLUNTARY ANNOUNCEMENT
LEASE AGREEMENT

This is a voluntary announcement made by Nanjing Panda Electronics Company Limited (the “**Company**”).

The board of directors (“**Directors**”) of the Company (“**Board**”) is pleased to announce that on 8 January 2021, the Company as lessor entered into a lease agreement (“**Lease Agreement**”) with Nanjing Gusheng Enterprise Management Co., Ltd. (南京穀升企業管理有限公司) (the “**Lessee**”) as lessee and Wangu Enterprise Management Co., Ltd. (萬穀企業管理集團有限公司) (“**Wangu Group**”) and Nanjing Wanguli Commercial Management Group Co., Ltd. (南京萬穀裡商業管理集團有限公司) (“**Nanjing Wanguli**”) (collectively as the “**Guarantors**”) as guarantors in respect of the lease of the Company’s properties in the People’s Republic of China (the “**PRC**”) to the Lessee.

THE LEASE AGREEMENT

Principal terms of the Lease Agreement are summarized as below:

Date: 8 January 2021

Lessor: The Company

Lessee: Nanjing Gusheng Enterprise Management Co., Ltd. (南京穀升企業管理有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Lessee and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "Listing Rules").

Guarantors: Wangu Enterprise Management Co., Ltd. (萬穀企業管理集團有限公司) and Nanjing Wanguli Commercial Management Group Co., Ltd. (南京萬穀裡商業管理集團有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, the Guarantors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Leased Properties: the 1st to 4th floors (including 1 mezzanine floor) and 14th to 17th floors of Panda Building, No.301 Zhongshan Road East, Nanjing and the ancillary equipment and facilities thereof (the "Leased Properties"). The Leased Properties are for business office and commercial usage.

Gross floor area: approximately 29,544.68 square meters

Term: the period of 10 years and 10 months from 1 December 2020 to 30 September 2031 (both days inclusive)

Rent free period: three months from 1 December 2020 to 28 February 2021

Rent and payment term: The rent payable under the Lease Agreement will be paid in the form of "guaranteed rent + turnover rent".

(1) Guaranteed rent

The annual guaranteed rent for the first year of the lease term shall be RMB16,827,000, the annual guaranteed rent for the second year of the lease term shall be RMB22,436,000, and the annual guaranteed rent for the third year of the lease term shall be RMB28,045,000. From the fourth year of the lease term, the annual guaranteed rent shall increase by 6.5% every three years.

The Leased Properties can only be used upon payment of the guaranteed rent. The initial guaranteed rent of RMB4,206,750 shall be fully paid to the Company before 30 September 2021. Thereafter, the Lessee shall pay the guaranteed rent to the Company in advance on a quarterly basis. The guaranteed rent for the next payment shall be paid ten days before the expiry of the current term.

(2) Turnover rent

If the annual rent receivable by the Lessee in terms of the entire building to which the Leased Properties situated (the leased area other than the parking space(s)) is in excess of RMB110.23 million, the Lessee shall pay 10.65% of the excess to the Company as the turnover rent. The turnover rent shall be paid annually during the lease term, and the Lessee shall fully paid the turnover rent to the Company within 5 working days after the end of each year during the lease term.

The Company and the Lessee confirm that the rent under the Lease Agreement shall not include any taxes payable by the Lessee in accordance with national regulations.

Security Deposit: RMB1.8 million in cash on the date of entering into the Lease Agreement; a further RMB1.8 million in cash, and a bank guarantee of RMB800,000 ten days before the expiry of the 10th month from the commencement of the lease term. The bank guarantee shall be valid until three years from the expiry date of the lease term.

Given the increment of the rentals, in addition to the security deposits already paid by the Lessee, the Lessee agrees to pay additional amounts as security deposit to the Company from the 4th year of the lease term, the security deposit under the Lease Agreement will be increased to RMB8 million. In addition to the security deposit of RMB4.4 million paid and provided by the Lessee, a further bank guarantee of RMB3.6 million has to be provided ten days before the end of the third year of the lease term. The bank guarantee shall be valid until three years from the expiry date of the lease term.

**Liabilities for
Breach of the
Contract:**

In the absence of any breach of the contract by the Lessee, if the Company fails to deliver the Leased Properties at the agreed time, the commencement date of the lease term shall be postponed accordingly. If the Company delays in delivering the Leased Properties for 90 days and fails to deliver within 30 days upon receipt of written notification from the Lessee, the Company shall pay the Lessee a penalty for the delayed delivery of the property based on the standard of 0.3% of the monthly guaranteed rent corresponding to the area of the delayed Leased Properties for each day of delay from the 31st day.

During the lease term, if the Lessee delays or fails to pay rent, security deposit, utilities or other related expenses in full, it shall pay fine for delaying payment (penalty for late payment) equal to 0.2% of the amount payable for each day of delay. If the Lessee fails to perform any other obligation under this contract except the payment, the Lessee shall pay the Company penalty for the delay at 0.2% of the daily rent for each day of delay. If the Lessee delays in paying the rent or penalty for 15 days, in addition to demanding aforementioned penalty for late payment, the Company shall also have the right to take relevant compulsory measures to suspend the use of the Leased Properties by the Lessee and the sub-lessee, and the Lessee shall be fully liable for the losses and other adverse consequences caused thereby. If the Lessee delays in paying the rent or penalty for 15 days, the Company shall have the right to terminate the Lease Agreement in advance in addition to the Lessee paying the aforementioned penalty for late payment in double from the date of delay, and the Lessee shall pay penalty to the Company as agreed.

Except that the Company has the right to recover part of the Leased Properties in advance as required in the contract, if the Lessee has no breach of contract or other circumstance detrimental to the interests of the Company during the lease term and the Company needs to terminate the Lease Agreement in advance due to its own reasons, the Company shall notify the Lessee in writing six months in advance. The Lease Agreement shall be terminated on the expiration of six months from the date of notification by the Company, and the unused guaranteed rent and security deposits paid shall be refunded according to the facts. Meanwhile, the Company shall compensate the Lessee for the actual losses incurred thereby.

**Liability for
Guarantee:**

the Guarantors shall jointly and severally be liable to the Company for the Lessee's performance of all obligations and responsibilities under the Lease Agreement, the guarantee term shall be three years upon the expiration of the performance period of the Lessee or three years upon the expiration of the lease term of the Lease Agreement (whichever is the later).

The Guarantors shall supervise the performance of the Lessee (including rent payment, etc.) under the Lease Agreement, and accept the supervision of the Company on the capital, property and operation status of the Lessee and the Guarantors respectively; when the asset-liability ratio of the consolidated statements of the Lessee or the Guarantor(s) and its subsidiaries reaches 65%, the Lessee and the Guarantor(s) shall immediately notify the Company, and the Company is entitled to require the Lessee and the Guarantors to provide new guarantee as approved by the Company within the time limit required by the Company, otherwise, the Company shall have the right to immediately terminate the Leased Agreement.

INFORMATION OF THE LESSEE

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Lessee is a company established in the PRC and is principally engaged in business management, property management, conference and exhibition services, corporate image planning, marketing planning, information consulting services, parking services, information technology consulting services, non-residential real estate leasing, technology services, technology development, technology consulting, technology exchange, technology transfer, technology promotion and etiquette services. The Lessee intends to sublet the Leased Properties and shall sublet the same to businesses and enterprises involving in high-end technology, finance, office, dining, ensuring the Leased Properties are of 5A Grade A commercial office building standard.

INFORMATION OF THE GUARANTORS

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, both Guarantors are companies established in the PRC. Wangu Group is principally engaged in the industrial operation of the brand of Wangu, focusing on the development of industrial parks, industrial service platforms, incubation investment and financing, and other businesses. Nanjing Wanguli is principally engaged in the commercial operation of the brand of Wangu, focusing on the development of commercial complexes, thematic commercial districts, cultural malls, intelligent hotel management, business support services and other businesses.

The Lessee is a wholly-owned subsidiary of the guarantor, Wangu Group; the Guarantors, Wangu Group and Nanjing Wanguli are related companies and are under the control of the same controller.

ANALYSIS OF RISKS FOR THE PERFORMANCE OF THE LEASE AGREEMENT

1. Any damages or losses of the Leased Properties resulting from force majeure or improper use or management negligence or natural losses beyond the insurance claims shall be borne by the Company, which may result in the risk of failure to perform the contract or failure to fully perform the Lease Agreement.
2. For any disputes arising from the Lessee or the sub-lessee's failure to perform the Lease Agreement (such as the Lessee's failure to make the payment as agreed, damage caused by the Lessee to the integrity and safety of the Leased Properties, etc.), it will result in certain costs to resolve such disputes (time, expense, social impact and others), and may cause the risk that the Lessee is unable to perform the contractual payment obligations in a timely manner or fails to fully compensate for our losses in a timely manner.
3. Due to the long lease term stipulated in the Lease Agreement, the Company may not achieve the revenue as expected or the opportunity cost might be uncertain as affected by the social and economic development situation or the industry market environment.

REASONS AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENT

The Lease Agreement could help the Company utilize its existing assets, improve the efficiency of asset usage and increase the revenue of the Company by bringing stable cash inflow for the Company, and is expected to have a certain positive impact on the future operating conditions and financial position of the Company. The Lease Agreement will not affect the assets, liabilities and businesses independency of the Company, nor will it have a significant impact on the overall operating results of the Company.

The Company takes smart manufacturing, smart city and electronic manufacturing services as its three main businesses. Its property rental and related businesses account for a relatively small proportion, and the Company does not have professional experience and team in operating high-end commercial buildings. Wangu Group has been engaged in industrial operation for a long time, focusing on the development of industrial parks, industrial service platforms, incubation investment and financing, and other businesses, and has extensive experience in operation. Nanjing Gusheng, the Lessee and a wholly-owned subsidiary of Wangu Group, was specially established for this transaction and is responsible for the operation and management of the "Panda Building". At present, the overall leasing operation and management model has been relatively mature and common, which is such an asset operation model of Wangu Group that with the most extensive experience. The model has greater advantages in terms of guaranteeing returns and controlling risks.

Based on the market inquiry of the leasing subject, the Company negotiated with the three parties and finalized the rent. The Board is of the view that the lease price was determined based on the prevailing market rent through negotiation and in compliance with the market pricing principle, the Lease Agreement was entered into on normal commercial terms and on an arm's length basis, and that the terms of the Lease Agreement are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

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

Nanjing, the PRC
8 January 2021

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