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**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transfer** all your shares in Nanjing Panda Electronics Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**南京熊猫电子股份有限公司**  
**Nanjing Panda Electronics Company Limited**

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

(Stock Code: 0553)

**CONNECTED TRANSACTION**  
**– TRANSFER OF ASSETS BY PANDA ELECTRONICS GROUP LIMITED**  
**TO THE COMPANY FOR THE REPAYMENT OF THE DEBT**  
**AND**  
**AMENDMENT OF ARTICLES OF ASSOCIATION**

**Independent Financial Adviser to the Independent Board Committee**  
**and the Independent Shareholders**



**VXL FINANCIAL SERVICES LIMITED**  
**卓越企业融资有限公司**

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This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

A letter from the board of directors of the Company is set out on pages 1 to 11 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on pages 12 of this circular. A letter of advice from VXL Financial Services Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the Conference Room, Workers' Union, 301 Zhong Shan Road East, Nanjing, the People's Republic of China on 31 December 2006 at 9:00 a.m. is set out on pages 50 to 51 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the office of the Company and in any event not less than 24 hours before the time of the extraordinary general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjournment thereof should you so wish.

6 December 2006

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## DEFINITIONS

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*In this circular, unless otherwise requires, the following expressions have the following meanings:*

|                           |                                                                                                                                                                                                                                         |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Agreement”               | the agreement to use the Assets for discharge of the Debt (以資抵債協議) dated 8 November 2006 entered into by the Company and PEG L, pursuant to which PEG L would transfer the Assets to the Company for the repayment of the Debt          |
| “Appropriated Capital”    | The appropriation of the non-operating capital of the Company by PEG L Group in the total sum of RMB275,310,000                                                                                                                         |
| “Articles of Association” | The articles of association of the Company as amended and adopted on 29 June 2005                                                                                                                                                       |
| “Assets”                  | the assets owned by PEG L, the details of which are listed in Part III Information on the Assets of the section headed “the Agreement and the Transfer” of this circular                                                                |
| “Board”                   | the board of directors of the Company                                                                                                                                                                                                   |
| “Company”                 | Nanjing Panda Electronics Company Limited (南京熊貓電子股份有限公司), a company incorporated in PRC with limited liability with its H shares listed on the main board of the Stock Exchange and with its A shares listed on Shanghai Stock Exchange |
| “Debt”                    | RMB31.6 million being part of the Appropriated Capital                                                                                                                                                                                  |
| “Directors”               | the directors of the Company                                                                                                                                                                                                            |

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## DEFINITIONS

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|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Disposed Assets”                                   | the assets of the Company relating to the development, manufacture and sale of television sets and its related products as well as VCD players transferred from the Company to PEGL under the 2000 Reorganisation, which include a 100% equity interest in 南京熊猫電視機有限公司 (Nanjing Panda Television Co. Ltd.), 南京熊猫電子運輸公司 (Nanjing Panda Electronics Transportation Company), 熊猫電子集團電源設備公司 (Panda Electronics Group Power Source Equipment Corporation), 熊猫電子集團合肥經銷公司 (Panda Group Hefei Sales Company), 北京寧合熊猫電器有限責任公司 (Beijing Ninghe Panda Electronic Appliances Limited Company), 熊猫電子集團中南經銷公司 (武漢) (Panda Electronics Group Zhongnan Sales Company (Wuhan)), 浙江熊猫電子經銷公司 (Zhejiang Panda Electronics Sales Company), a 55.13% equity interest in 南京家家樂家用電器廠 (Nanjing Jiajiale Home Appliances Factory) and six units in the Company namely, VCD Players Division, Surface Decoration Printing Board Factory, Electronics Components Factory, Electric Appliances Factory, Piezoelectric Ceramic Devices Production Plant and Transport Company, for the development and manufacture of television sets and related products, parts and components, and VCD players |
| “EGM”                                               | The extraordinary general meeting to be held on 31 December 2006 of the Company for the approval of the Transfer and the amendments to the Articles of Association, the notice of which will be dispatched to the Shareholders of the Company together with the circular in relation to the Transfer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| “IFA” or “Independent Financial Adviser” or “VXLFS” | VXL Financial Services Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Transfer and a licensed corporation by the Securities and Futures Committee to conduct type 6 (advising on corporate finance) regulated activities under the SFO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| “Independent Board Committee”                       | Independent board committee of the Company, comprising Ms. Wan Hui, Mr. Cai Liang Lin, Mr. Ma Chung Lai, Lawrence, all existing independent non-executive directors of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| “Independent Shareholders”                          | the Shareholders who are not connected to PEGL or its associates and are not required to abstain from voting at the EGM to approve the connected transaction, namely, the Transfer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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## DEFINITIONS

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|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Injected Assets”         | the assets of PEG L transferred from PEG L to the Company under the 2000 Reorganisation which include a 38.03% equity interest in the Shenzhen Jinghua Group and a 99% equity interest in the NPM EP Group                                                                       |
| “Latest Practicable Date” | 5 December 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein                                                                                                                           |
| “Listing Rules”           | The rules governing the listing of securities on the Stock Exchange of Hong Kong Limited.                                                                                                                                                                                        |
| “PEG L”                   | Panda Electronic Group Limited (熊貓電子集團有限公司), being the largest shareholder of the Company and holds 51.1% of the shares of the Company.                                                                                                                                          |
| “PEG L Group”             | PEG L and its subsidiaries (for the purpose of this circular excluding the Company and its subsidiaries)                                                                                                                                                                         |
| “PRC Company Law”         | The newly amended Company Law of PRC which came into effect on January 1, 2006                                                                                                                                                                                                   |
| “PRC Lawyer”              | Jiangsu FD Yongheng Law Firm (江蘇法德永衡法律事務所)                                                                                                                                                                                                                                       |
| “PRC Securities Law”      | The newly amended Securities Law of PRC which came into effect on January 1, 2006                                                                                                                                                                                                |
| “PRC Valuer”              | Nanjing Yonghua Certified Public Accountants Company Limited (南京永華會計師事務所有限公司)                                                                                                                                                                                                    |
| “RMB”                     | Renminbi, the lawful currency of PRC                                                                                                                                                                                                                                             |
| “Property I”              | A parcel of land together with a workshop building located at No.118 Haifu Alley, Shimenkan Town, Baisxia District, Nanjing City, PRC, more particularly described in Part III Information on the Assets of the section headed “the Agreement and the Transfer” of this circular |
| “Property II”             | Units 101, 201 and 202 of Blocks 05 and 06 (Block 6) at the High Tech Development Zone, Nanjing City, PRC, more particularly described in Part III Information on the Assets of the section headed “the Agreement and the Transfer” of this circular                             |

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## DEFINITIONS

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|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “SFO”                 | Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong                                                                                                                                                          |
| “Shareholders”        | the shareholders of the Company                                                                                                                                                                                                 |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Ltd.                                                                                                                                                                                            |
| “2000 Reorganisation” | the transfer of the Disposed Assets from the Company to the PEGL and the transfer of the Injected Assets from the PEGL to the Company, details of which were stated in the announcement of the Company dated 2nd November, 2000 |
| “Transfer”            | The transfer of the Assets by PEGL to the Company pursuant to the Agreement                                                                                                                                                     |
| “Valuation Report”    | The valuation report of the Assets dated 6 December 2006 conducted by the Valuer                                                                                                                                                |
| “Valuer”              | Vigers Appraisal & Consulting Ltd.                                                                                                                                                                                              |

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LETTER FROM THE BOARD

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南京熊猫电子股份有限公司  
**Nanjing Panda Electronics Company Limited**

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

(Stock Code: 0553)

*Executive Directors*

Li Anjian (*Chairman, General Manager*)

*Non-executive Directors*

Mr. Xu Guofei (*Vice-chairman*)

Ms. Liu Ailian

Mr. Zhu Lifeng

Mr. Shi Qiu Sheng

Mr. Lu Qing

*Independent Non-executive Directors*

Ms. Wan Hui

Mr. Cai Liang Lin

Mr. Ma Chung Lai, Lawrence.

*Registered Address:*

Floor 1-2

Block 5, North Wing

Nanjing High and New

Technology Development Zone

Nanjing

The PRC

*Office Address:*

301 Zhong Shan Road East

Nanjing

The PRC

Postal Code: 210002

6 December 2006

Dear Sir or Madam,

**CONNECTED TRANSACTION –  
TRANSFER OF ASSETS BY PANDA ELECTRONICS GROUP LIMITED  
TO THE COMPANY FOR THE REPAYMENT OF THE DEBT  
AND  
AMENDMENT OF ARTICLES OF ASSOCIATION**

**INTRODUCTION**

The Board, in its announcement dated 15 November 2006, announced that the Company entered into the Agreement with PEGL, pursuant to which PEGL would transfer the Assets to the Company for the repayment of the Debt.

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## LETTER FROM THE BOARD

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The Transfer constitutes a connected transaction under the Listing Rules which is subject to Independent Shareholders' approval at the EGM by poll.

The Independent Board Committee has been formed to consider the Agreement and the Transfer. The letter from the Independent Board Committee to the Independent Shareholders is included in this circular. VXLFS has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Transfer and its letter of advice is included in this circular.

In addition, the Board proposed to amend the Articles of Association in order to comply with the PRC Company Law and the PRC Securities Law and to seek your approval by special resolution at the EGM as set out in the notice of the EGM.

The purpose of this circular is to provide you with further information relating to the following:

- (a) details of the Agreement and the Transfer;
- (b) the recommendation of the Independent Board Committee in respect of the Agreement and the Transfer;
- (c) the opinion of the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Transfer;
- (d) the Valuation Report;
- (e) the proposed amendments to the Articles of Association;
- (f) a notice of the EGM to consider and, if thought fit, to approve the Agreement and the Transfer and the proposed amendments to the Articles of Association.

Your attention is hereby drawn to pages 50 to 51 of this circular where you will find a notice of the EGM.

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## LETTER FROM THE BOARD

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### A. THE AGREEMENT AND THE TRANSFER

#### I. Background

1. Pursuant to the requirements set out in the “Notice of endorsement of opinions from the China Securities Regulatory Commission on raising the quality of listed companies” (《國務院批轉證監會關於提高上市公司質量意見的通知》) (Guo Fa [2005] No.34) and the “Settlement plan for non-operating capital appropriation of the controlling shareholder” (《控股股東非經營性資金佔用的清欠方案》) (the “Plan”), PEG L has, as at 21 November 2006, repaid a total of RMB243,710,000 out of the Appropriated Capital. The Company has issued the following announcements in respect of the repayment progress thereof:

| Date of announcement    | Time of Repayment     | Repayment Amount<br>(RMB) | Balance as at<br>21 November 2006<br>(RMB) |
|-------------------------|-----------------------|---------------------------|--------------------------------------------|
| 29 June 2006            | End of April 2006     | 15,000,000                |                                            |
| 29 June 2006            | End of May 2006       | 17,920,000                |                                            |
| 4 July 2006             | End of June 2006      | 19,000,000                |                                            |
| 7 August 2006           | End of July 2006      | 53,000,000                |                                            |
| 24 August 2006          | End of August 2006    | 2,320,000                 |                                            |
| 26 September 2006       | End of September 2006 | 50,000,000                |                                            |
| 11 October 2006         | Early October 2006    | 45,000,000                |                                            |
| 1 November 2006         | End of October 2006   | 27,720,000                |                                            |
| 21 November 2006        | End of November 2006  | 13,750,000                |                                            |
| Total sum of repayment: |                       | <u>243,710,000</u>        | <u>31,600,000</u>                          |

2. As at 21 November 2006, the balance of the Appropriated Capital is RMB31.6 million.
3. On 8 November 2006, the Company entered into the Agreement with PEG L, pursuant to which PEG L would transfer the Assets to the Company for the repayment and satisfaction of the Debt. Therefore, subject to the Independent Shareholders’ approval, PEG L will repay all the Appropriated Capital.

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## LETTER FROM THE BOARD

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### II. The Agreement

|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Date:</b>                                                         | 8 November 2006                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Parties:</b>                                                      | The Company<br>PEGL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Terms:</b>                                                        | PEGL agreed to transfer the Assets to the Company for the repayment of the Debt.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Consideration and basis of determination:</b>                     | <p>The consideration for the transfer of the Assets is the Debt being a total sum of RMB 31.6 million.</p> <p>The consideration was determined after arm's length negotiation among the parties which took into account the estimation of the value of the Assets as at 30 September 2006, namely RMB31,600,000, which was based on the indicative preliminary figure provided by the Valuer and the Asset Valuation Report on Asset Transfer by Panda Electronic Group Limited (Ning Yong Kuai Ping Bao Zi (2006) No.044) provided by the PRC Valuer. Both the Valuer and the PRC Valuer are independent third parties and are not connected with the Company.</p> |
| <b>Condition Precedent:</b>                                          | The Agreement is effective and conditional upon the approval from the Independent Shareholders of the Company in the EGM.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>The arrangement of registration of the Transfer of the Assets</b> | Within ten days after the coming into effect of the Agreement, registration of the Transfer of the Assets should be effected.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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## LETTER FROM THE BOARD

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### III. Information on the Assets

#### 1. *Property I*

Property I, located at No. 118 Haifuxiang, Shimenkan Town, Baixia District, Nanjing City, comprises a parcel of industrial land having a total site area of approximately 14,129.1sq. m., together with a 5-storey workshop building completed in about 2005 with a total gross floor area of approximately 5,756.61 sq. m. erected thereon. The completed workshop building is currently held by the PEGL and proposed to be used as a production workshop.

PEGL has been granted the land use rights of Property I for a term expiring on 28 February 2040 for industrial uses via assignment as evidenced by the Certificate of State-owned Land Use Right of the PRC (Ning Bai Guo Yong (2002) Zi No.05156) (《中華人民共和國國有土地使用權証》寧白國用(2002)字第05156). As advised by the Company's PRC Lawyer, the said land is not subject to any charges, mortgages or legal disputes.

The PEGL has been granted the planning permit for the construction of the workshop building according to the Nanjing Municipal Construction Planning Permit (Ning Gui Cheng Zhong Jian Zhu [2003] No.0048) (《南京市建設工程規劃許可証》寧規城中建築(2003)0048號). According to the Company, application for the issuance of a Building Ownership Certificate for the workshop building is in progress. The Company's PRC Lawyer states that there should be no legal impediment on the application and issuance of the Building Ownership Certificate for the workshop building erected on the said land. The PRC Lawyer holds the view that notwithstanding the lack of Building Ownership Certificate for the workshop building, Property I can be freely transferred for the reason that the workshop building was transferred not as a completed building but as a project under construction.

In accordance with Valuer's valuation, the capital value of the said land in the existing state is approximately RMB9,700,000. While no commercial value has been ascribed to the workshop building due to the absence of the Building Ownership Certificate, for reference purpose, the depreciated replacement cost of the workshop building in the same district as at the date of valuation was estimated to be RMB16,300,000. The said estimate is made on the basis of the current status of the workshop building without the Building Ownership Certificate, and the said sum of RMB16,300,000 does not include any credit to a building ownership certificate.

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## LETTER FROM THE BOARD

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### 2. *Property II*

Property II, situated at Units 101, 201 and 202 of Blocks 05 and 06 (Block 6) at the High Tech Development Zone, Nanjing City, comprises three units on the first and the second levels of a 4-storey industrial building completed in around 1992, with a gross floor area of approximately 2,814.74 sq. m. Property II is currently occupied by PEGL for warehouse uses.

The land use rights of Property II have been acquired via assignment by PEGL for a term expiring on 30 November 2042 for industrial uses according to the Certificate of State-owned Land Use Right of the PRC (Ning Pu Guo Yong (2002) No.01517) (《中華人民共和國國有土地使用証》寧浦國用(2002)字第01517). The ownership of the building of the Property II is acquired via assignment by PEGL according to the Building Ownership Certificate (Ning Fang Quan Zheng Pu Chu Zi No.101006) (《房屋所有權証》寧房權証浦初字第101006號). As advised by the Company's PRC Lawyer, Property II does not bear any charges, mortgages or legal disputes.

Valuer's valuation is that the capital value of Property II in its existing state is approximately RMB5,600,000.

The total value of the Assets including the land as Property I, the workshop building thereon and the Property II is estimated by the Valuer to be RMB31,600,000.

## IV. **Particulars and Principal Business Activities of the Parties to the Agreement**

### *THE COMPANY*

The principal business activities carried on by the Company and its subsidiaries are investment holding and the development, production and sale of satellite communication products, electro-mechanical products and electronic information products.

### *PEGL*

The principal business activities carried on by PEGL are production of wireless communication equipments, broadcast television equipments, hardware and electronics (五金交電), electronic components, etc.

Since PEGL holds 51.1% equity interests of the Company and is the Company's controlling shareholder, PEGL is a connected person of the Company.

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## LETTER FROM THE BOARD

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### V. The Reasons for the Agreement

Given the support to the Company provided by its controlling shareholder PEGL and its subsidiaries during the establishment, listing and the 2000 Reorganization of the Company, the Company had provided certain ad hoc working capital to PEGL Group to cope with its financial difficulties. As at 31 December 2005, the balance of Appropriated Capital was RMB275.31 million. Since 2006, PEGL Group has been taking initiatives to repay the Appropriated Capital in light of the directions from China Securities Regulatory Commission.

However, given its financial difficulties, PEGL Group would be unlikely to repay all the Appropriated Capital in cash. For this reason, PEGL Group and the Company agreed on a repayment schedule, which was recorded in the Plan. According to the Plan, PEGL Group would repay part of the Appropriated Capital by the Assets, which was originally scheduled to be transferred to the Company in September 2006. However, the preparation for the Transfer took longer than expected as the Company and the PEGL Group had to make necessary arrangements, including but not limited to procuring PRC legal opinion, obtaining the preliminary view of the Valuer and the PRC Valuer, and the transfer of the Assets did not materialize in September 2006. PEGL Group repaid RMB50 million all in cash by end of September 2006.

As at 21 November 2006, a total of RMB243.71 million was repaid by PEGL Group and the balance of the Appropriated Capital was RMB31.6 million.

In view of PEGL's RMB 50 million cash repayment in September 2006 and its cash flow difficulties, PEGL Group proposed and the Company agreed that PEGL Group will repay the Debt by way of transfer of the Assets. As a result, on 8 November 2006, the Company has entered into the Agreement.

The Company and PEGL Group have in fact explored alternative payment methods other than by transferring the Assets. However, as PEGL Group has transferred its quality assets to the Company when the Company was listed and during the 2000 Reorganisation, PEGL Group does not have any substantial quality assets that are relevant to the business of the Company. Hence, the transfer of the Assets is the only feasible and effective method for the repayment of Debt.

After the transfer of the Assets, PEGL Group will have repaid all the Appropriated Capital.

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## LETTER FROM THE BOARD

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### **VI. Benefits of the Transfer**

According to the advice provided by the PRC Lawyer, the Agreement complies with the requirement of the relevant PRC laws and regulations and it does not contain any content or terms which are detrimental to the interest of the Company and the Shareholders and are in line with fair and just principles.

The Transfer is designed as an initiative of PEGL Group to settle a part of the Appropriated Capital, which is beneficial to safeguard the interests of the Company and its shareholders, particularly the minority shareholders.

After the Transfer, Property I will be utilized for electro-mechanical products development, which is one of the principal business activities of the Company.

Property II is situated in the High Tech Development Zone of Nanjing city. Enterprises registered inside the Development Zone will enjoy special tax preference. The Company intends to expand its business in the high tech industry, for instance, in satellite communication systems and electromechanical and IT products. Hence, the acquisition of Property II will help the Company in such development, and Property II can be used as the premises for the Company's business in this area.

Upon taking over the Assets which are related to the Company's business, the Company can reduce the connected transactions with the PEGL Group and enhance the independence of assets.

In view of the above, the Directors believe that the Agreement is beneficial to the Company and the terms of the Transfer are fair and reasonable and in the interest of the Shareholders as a whole.

### **VII. Listing Rules Implications**

Since PEGL is a connected person of the Company, the Transfer constitutes a connected transaction under the Listing Rules.

Given that the consideration of the Transfer is calculated to exceed 2.5% of the relevant percentage ratios and exceed HK\$10,000,000 under the Listing Rules, this connected transaction is subject to announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. An announcement regarding the Transfer has been made by the Company on 15 November 2006.

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## LETTER FROM THE BOARD

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On 8 November 2006, the Board resolved to approve entering into of the Agreement, and all those Directors who have a material interest in the Agreement abstained from voting. The remaining Directors, namely Ms. Wan Hui, Mr. Cai Lianglin, and Mr. Ma Chung Lai, Lawrence, being Independent Non-Executive Directors voted unanimously in favour of the resolution approving the entering into of the Agreement.

The Transfer is subject to Independent Shareholders' approval by poll at the EGM to be held on 31 December 2006 at which PEG and its associates are required to abstain from voting on the resolution regarding the approval of the Agreement.

### **B. AMENDMENT OF ARTICLES OF ASSOCIATION**

For the purpose of complying with the PRC Company Law and the PRC Securities Law, the Board proposed to amend the Articles of Association of the Company in manners as set out in Appendix III of this circular.

The amendment of the Articles of Association mainly concerns protecting the legitimate rights and interests of the Company, shareholders and creditors and regulating the organization and operation of the Company in accordance with the PRC Company Law and the PRC Securities Law.

Pursuant to the relevant requirements and the Guidelines on the Articles of Association of the Listed Companies (Revised 2006) (《上市公司章程指引(2006年修訂)》) promulgated by China Securities Regulatory Commission and the actual situation of the Company, major amendments to the Articles of Association are summarized as follows:

1. Transfer of shares held by directors, supervisors and other senior managers during their terms of office will be restricted to not exceeding 25% of the total number of shares held by them within one year of listing of the Company.
2. The new Articles will provide that if a shareholder who holds 5% or more of shares of the Company sells his shares in the Company within 6 months after his purchase or purchase the shares again within 6 months of the sale, the proceeds as generated therefrom shall be incorporated into the profits of the Company. This restriction will also apply to the directors, supervisors, and senior managers of any legal person shareholders holding 5% or more of voting shares in the Company. As advised by the PRC lawyer, the above restriction will not apply to the overseas listed foreign shareholders.
3. New rights are given to the shareholders including rights to demand shares purchase if they vote against the resolutions of merger or split-up of the Company made in the general meetings; rights of direct action and derivative action in the event that their interests and those of the Company are impaired; and the rights to information of the Company.

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## LETTER FROM THE BOARD

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4. The followings are added as to the functions and powers of the general meeting: (i) to consider and approve the guaranties referred to provided in the Article 68; (ii) to consider and approve the purchases or sales of the material assets exceeding 30% of the latest audited total asset value of the Company; (iii) to consider and approve the changes of the use of the proceeds from equity fund raising; (iv) to consider and approve the share incentive plan.
5. Connected shareholders shall abstain from voting on connected transactions, and the number of shares they represent carrying voting rights shall not be counted into the quorum for voting; the announcements of resolutions passed at such general meeting shall fully disclose the voting of unconnected shareholders on the transactions.
6. Directors connected in transactions shall not exercise voting rights on such matters on his own or on behalf of any other directors and shall not be counted towards the quorum.

As advised by the PRC Lawyer, all the above amendments to the Articles of Association, except for that stated in paragraph 2 above, apply to all kinds of shares and shareholders of the Company. The Board confirms that the proposed amendment to the Articles of Association conforms to the requirements of Appendix 3 and the applicable requirements set out in Part D of the Appendix 13 of the Listing Rules.

### **C. RIGHT TO DEMAND A POLL AT A GENERAL MEETING OF THE COMPANY**

As at the Latest Practicable Date, PEGl owns about 51.10% of the issued share capital of the Company and controls the voting rights in respect of its shareholding interests in the Company. PEGl and its associates will abstain from voting in respect of the ordinary resolution to approve the Transfer under the Agreement.

Pursuant to Rule 14A.52 of the Listing Rules, votes taken at the EGM for the approval by the Independent Shareholders of the Transfer shall be, and will be, by way of a poll.

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## LETTER FROM THE BOARD

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### D. RECOMMENDATION

Your attention is drawn to (i) recommendation of the Independent Board Committee in respect of the terms of the Agreement and the Transfer, which is set out on page 12 of this circular; and (ii) the opinion of the Independent Financial Adviser to the Independent Shareholders and the Independent Board Committee in respect of the terms of the Agreement and the Transfer, which is set out on pages 13 to 20 of this circular.

The Directors consider that the terms and conditions of the Agreement and the Transfer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

The Board also recommends that Shareholders vote in favour of the special resolution to approve the proposed amendments to the Articles of Association.

### E. ADDITIONAL INFORMATION

Your attention is drawn to Appendix II of this circular setting out the general information of the Company.

Yours faithfully,  
By order of the Board  
**Li Anjian**  
Chairman

*As at the date of the circular, the Board comprises of: 1. Executive Directors: Mr. Li Anjian; 2. Non-executive Directors: Mr. Xu Guofei, Ms. Liu Ailian, Mr. Zhu Lifeng, Mr. Shi Qiusheng; Mr. Lu Qing 3. Independent Non-executive Director: Ms. Wan Hui, Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence.*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders prepared for incorporation in this circular.*



**南京熊猫电子股份有限公司**  
**Nanjing Panda Electronics Company Limited**

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

(Stock Code: 0553)

6 December 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**-TRANSFER OF ASSETS BY PANDA ELECTRONICS GROUP LIMITED**  
**TO THE COMPANY FOR THE REPAYMENT OF THE DEBT**

We refer to the circular issued by the Company to the Shareholders dated 6 December 2006 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee for the purpose of considering and advising the Independent Shareholders in relation to the Agreement and the Transfer.

We wish to draw your attention to the letter from the Board as set out on pages 1 to 11 and the letter from the Independent Financial Adviser as set out on pages 13 to 20 of the Circular respectively.

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Agreement and the Transfer are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Agreement and the Transfer are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM in respect of the Agreement and the Transfer on pages 50 to 51 of this Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**Ms. Wan Hui, Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence.**  
*Independent Non-Executive Directors*

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## LETTER FROM VXLFS

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from VXLFS dated 6 December 2006, prepared for the purpose of incorporation in this circular, setting out its advice in connection with the Agreement.*

VXL Financial Services Limited  
Unit 3214, 32 Floor  
Cosco Tower  
Grand Millennium Plaza (High Block)  
183 Queen's Road Central  
Hong Kong



6 December 2006

*To the Independent Board Committee and the Independent Shareholders of  
Nanjing Panda Electronics Company Limited*

Dear Sirs,

### **CONNECTED TRANSACTION**

#### **TRANSFER OF ASSETS BY PANDA ELECTRONICS GROUP LIMITED TO THE COMPANY FOR THE REPAYMENT OF THE DEBT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the Transfer, details of which are set out in a circular issued by the Company to the Shareholders dated 6 December 2006 (the "Circular"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 15 November 2006, the Company announced that it has entered into the Agreement with PEGE on 8 November 2006, pursuant to which PEGE agreed to transfer the Assets to the Company for the repayment of the Debt. The consideration for the Transfer is the Debt being a total sum of RMB 31.6 million.

As PEGE is the controlling Shareholder of the Company, it is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the Independent Shareholders' approval at the EGM by way of poll. PEGE and its associates are required to abstain from voting in the EGM in regards to the approval of the Agreement.

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## LETTER FROM VXLFS

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The Independent Board Committee comprising Ms. Wan Hui, Mr. Cai Liang Lin and Mr. Ma Chung Lai, Lawrence, the independent non-executive Directors, have been formed to advise the Independent Shareholders on the Agreement and the Transfer. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreement and the Transfer are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

In formulating our recommendations, we have relied on the information, facts and representations contained or referred to in the Circular and supplied to us by the Company and the opinions expressed by and the representations of the directors and management of the Company. We have assumed that all statements of beliefs, opinions, assumptions and intentions made by the Directors in the Circular were made reasonably after due and careful enquiry and were based on honestly-held opinion and that all the information, facts, opinions and representations made to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and continued to be true, accurate and complete in all respects as at the date of this letter and may be relied upon. We have also relied on the responsibility statement set out in Appendix II to the Circular. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Company and its directors and management and have been confirmed by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement of the Circular misleading.

We consider that we have reviewed currently available information and documents, which are available under the present circumstances, and taken reasonable steps, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading. We have not, however, conducted any independent verification of the information included in the Circular and the information provided by the Company and its directors and management, nor have we conducted any form of investigation into the businesses, affairs, operations, financial position or future prospects of the Company or PEG L or any of their respective subsidiaries or associates.

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## LETTER FROM VXLFS

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation with regards to the Agreement, we have taken into consideration the following principal factors and reasons:

#### 1. Background to and reasons for the Agreement and the Transfer

The principal business activities of the Group are investment holding and the development, production and sale of satellite communication products, electro-mechanical products and electronic information products.

PEGL being the controlling Shareholder of the Company, is principally engaged in the production of wireless communication equipments, broadcast television equipments, hardware and electronics (五金交電), electronic components, etc.

We note from the letter from the Board in the Circular (the “Letter from the Board”) that given the support to the Company provided by PEG L Group during the establishment, listing and the 2000 Reorganisation of the Company, the Company had provided certain ad hoc working capital to PEG L Group to cope with its financial difficulties. As at 31 December 2005, the balance of the Appropriated Capital was RMB275.31 million. We also note that PEG L Group has been taking initiatives to repay the Appropriated Capital in light of the directions from China Securities Regulatory Commission since 2006 and discussed with the Company for an agreed repayment schedule.

Nevertheless, due to the financial difficulties encountered by PEG L Group, it would be unlikely to repay all the Appropriated Capital in cash. As such, the Company and PEG L Group have agreed on a repayment schedule specified in the “Settlement plan for non-operating capital appropriation of the controlling shareholder” (《控股股東非經營性資金佔用的清欠方案》) (the “Plan”), pursuant to which PEG L Group would repay part of the Appropriated Capital by way of asset transfer.

According to the Plan, assets were originally scheduled to be transferred to the Company in September 2006. Notwithstanding this, given the prolonged preparation of necessary arrangements for the Transfer including, but not limited to, procuring PRC legal opinion and obtaining the preliminary view of the Valuer and the PRC Valuer, the transfer of the Assets did not materialise in September 2006. As a result, PEG L Group repaid RMB50 million in cash to the Company by end of September 2006 instead. As at 21 November 2006, PEG L Group has repaid an aggregate amount of RMB243.71 million in cash to the Company, leaving an outstanding balance of the Appropriated Capital of RMB31.6 million.

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## LETTER FROM VXLFS

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We understand from the Company that the Company and PEGL Group have explored alternative payment methods to settle the remaining balance of the Appropriated Capital other than the Transfer. However, as PEGL Group has transferred its quality assets to the Company at the time the Company was listed on the Stock Exchange and during the 2000 Reorganisation, and PEGL Group does not have any other substantial quality assets that are relevant to the business of the Company, it is therefore considered that the Transfer is the only feasible and effective method for the repayment of the Debt.

We have reviewed the audited consolidated financial statements for the year ended 31 December 2005 and the unaudited consolidated management accounts of PEGL Group for the nine months ended 30 September 2006, and noted that PEGL Group has incurred a net loss for the respective periods. As stated in the Letter from the Board, in view of the RMB50 million cash repayment made by PEGL in September 2006 and the cash flow difficulties of PEGL Group, PEGL Group and the Company entered into the Agreement on 8 November 2006 pursuant to which PEGL will transfer the Assets to the Company for the repayment of the Debt. We note that the Transfer was an initiative of PEGL Group to settle the remaining balance of the Appropriated Capital so as to safeguard the interests of the Company and the Shareholders, particularly the minority Shareholders. Upon completion of the Transfer, PEGL Group would have settled the Appropriated Capital in full.

It is stated in the PRC legal opinion dated 8 November 2006 issued by the PRC Lawyer (the “PRC Legal Opinion”) that the Agreement complies with the requirement of the relevant PRC laws and regulations and does not contain any content or terms which are detrimental to the interest of the Company and the Shareholders and are in line with fair and just principles.

In view of the above, and in particular given that (i) PEGL Group is in financial difficulties; (ii) the Transfer may reduce the risk of non-recovery of the remaining balance of the Appropriated Capital; and (iii) the Appropriated Capital has to be settled by PEGL Group under the requirements set out in the “Notice of endorsement of opinions from the China Securities Regulatory Commission on raising the quality of listed companies” (《國務院批轉證監會關於提高上市公司質量意見的通知》) on or before 31 December 2006, we are of the view that the Agreement is in the interests of the Company and the Shareholders as a whole.

# LETTER FROM VXLFS

## 2. Information on the Assets to be transferred

The Assets under the Transfer comprise the Property I and the Property II, and details of which are set out as follows:

| The Assets                                                | Location                                                                                                                | Attributes of the Assets                                                                                  | Capital value as at 30 September 2006 pursuant to the valuation report issued by the Valuer                                                                                            | Appraised value as at 31 March 2006 stated in the Asset Valuation Report on Assets Transfer by Panda Electronic Group Limited | Legal advice under the PRC Legal Opinion                                                                                                                                                                                                                                                                                                                                                                                                                                             | Current usage by PEGL                                                                                   | Intended usage by the Company upon completion of the Transfer                                                                                                                    |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Property I</i>                                         |                                                                                                                         |                                                                                                           |                                                                                                                                                                                        |                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                         |                                                                                                                                                                                  |
| (i) A parcel of land                                      | <ul style="list-style-type: none"> <li>118 Haifuxiang Shimenkan Town, Baixia District, Nanjing City, the PRC</li> </ul> | <ul style="list-style-type: none"> <li>Total site area of approximately 14,129.1 sq. m.</li> </ul>        | <ul style="list-style-type: none"> <li>RMB 9,700,000 (in its existing state)</li> </ul>                                                                                                | <ul style="list-style-type: none"> <li>RMB19,385,100</li> </ul>                                                               | <ul style="list-style-type: none"> <li>Not subject to mortgage or legal dispute.</li> <li>Can be freely transferred, mortgaged and leased out.</li> <li>Land use rights certificate have been granted for a term expiring on 28 February 2040 for industrial use.</li> </ul>                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Proposed to be used by PEGL as a production workshop.</li> </ul> | <ul style="list-style-type: none"> <li>Will be utilised for electro-mechanical product development, which is one of the principal business activities of the Company.</li> </ul> |
| (ii) A 5-storey workshop building completed in about 2005 | <ul style="list-style-type: none"> <li>Erected on the land as described under (i) above</li> </ul>                      | <ul style="list-style-type: none"> <li>Total gross floor area of approximately 5,756.61 sq. m.</li> </ul> | <ul style="list-style-type: none"> <li>No commercial value due to the absence of the Building Ownership Certificate.</li> <li>Depreciated replacement cost of RMB16,300,000</li> </ul> | <ul style="list-style-type: none"> <li>RMB9,073,344</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Construction Works Planning Permit has been granted for the construction of the workshop building and the application for issuance of the Building Ownership Certificate is in the progress.</li> <li>Notwithstanding the absence of the Building Ownership Certificate for the workshop building, it is freely transferrable.</li> <li>no legal impediment on the application and issuance of the Building Ownership Certificate.</li> </ul> |                                                                                                         |                                                                                                                                                                                  |

## LETTER FROM VXLFS

| The Assets                | Location                                                                                                                                               | Attributes of the Assets                                                                                                                                                                                                             | Capital value as at 30 September 2006 pursuant to the valuation report issued by the Valuer | Appraised value as at 31 March 2006 stated in the Asset Valuation Report on Assets Transfer by Panda Electronic Group Limited | Legal advice under the PRC Legal Opinion                                                                                                                                                                                                                                                                  | Current usage by PEGE                                       | Intended usage by the Company upon completion of the Transfer                                                                                                                                                                                                                                                                       |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Property II</i>        |                                                                                                                                                        |                                                                                                                                                                                                                                      |                                                                                             |                                                                                                                               |                                                                                                                                                                                                                                                                                                           |                                                             |                                                                                                                                                                                                                                                                                                                                     |
| (iii) Land use rights     | <ul style="list-style-type: none"> <li>Units 101, 201 and 202 Blocks 05 and 06 (Block 6), High Tech Development Zone, Nanjing City, the PRC</li> </ul> | <ul style="list-style-type: none"> <li>Total site area of approximately 1,350.50 sq. m.</li> <li>Land use rights have been granted for a term expiring on 30 November 2042</li> </ul>                                                | <ul style="list-style-type: none"> <li>RMB5,600,000</li> </ul>                              | <ul style="list-style-type: none"> <li>RMB1,183,000</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Not subject to mortgage or legal dispute.</li> <li>Can be freely transferred, mortgaged and leased out.</li> <li>PEGL has acquired the land use rights and the building of Property II via assignment and has obtained the complete title certificates.</li> </ul> | <ul style="list-style-type: none"> <li>Warehouse</li> </ul> | <ul style="list-style-type: none"> <li>To expand and further develop the Company's business in the high tech industry in particular, satellite communication systems, electromechanical and information technology products in Property II, which allows enterprises registered therein to enjoy special tax preference.</li> </ul> |
| (iv) A property           | <ul style="list-style-type: none"> <li>Erected on the land as described under (iii) above</li> </ul>                                                   | <ul style="list-style-type: none"> <li>comprising three units on the first and the second levels of a 4-storey industrial building completed in about 1992</li> <li>Total gross floor area of approximately 2,814.74 sq.m</li> </ul> |                                                                                             | <ul style="list-style-type: none"> <li>RMB2,891,427</li> </ul>                                                                |                                                                                                                                                                                                                                                                                                           |                                                             |                                                                                                                                                                                                                                                                                                                                     |
| Total value of the Assets |                                                                                                                                                        |                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>RMB31,600,000</li> </ul>                             | <ul style="list-style-type: none"> <li>RMB32,532,871</li> </ul>                                                               |                                                                                                                                                                                                                                                                                                           |                                                             |                                                                                                                                                                                                                                                                                                                                     |

As stated in the Company's interim report for the six months ended 30 June 2006 (the "2006 Interim Report"), the Company will adjust its business structure and strengthen business integration to speed up the stable development of principal businesses, including satellite telecommunication, electromechanical, electronic information and electronic manufacturing business in the second half of 2006. Accordingly, the intended usage of the Property I and the Property II as set out above is in line with the Company's stated business development plan.

### **3. Consideration for the Transfer**

Pursuant to the Agreement, the consideration for the Transfer is the Debt being a total sum of RMB31.6 million (the “Consideration”). We note that the Consideration was determined after arm’s length negotiation among the parties after taking into account the estimation of the value of the Assets of approximately RMB31.6 million as at 30 September 2006, which was based on the indicative preliminary figure provided by the independent Valuer and the Asset Valuation Report on Assets Transfer by Panda Electronic Group Limited (《熊貓電子集團有限公司資產轉讓項目資產評估報告》) (the “Asset Valuation Report”) provided by the PRC Valuer.

We have reviewed the valuation report issued by the Valuer (the “Valuation Report”) as set out in Appendix I to the Circular and the Asset Valuation Report and noted that the Consideration is equal to the aggregate appraised market value of the Assets as at 30 September 2006 based on the Valuation Report and represents a discount of approximately 2.9% to the aggregate value of the Assets as at 31 March 2006 as stated in the Asset Valuation Report.

Taking into account the latest valuation date of the Assets being 30 September 2006 and the Consideration is set to be the same as the latest appraised market value of the Assets as of 30 September 2006 based on the Valuation Report, we are of the view that the Consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

### **4. Financial effects of the Agreement on the Group**

#### *Net asset*

Based on the 2006 Interim Report, the unaudited consolidated net assets of the Group was approximately RMB1,356.7 million. There will be no impact to the net assets position of the Group upon completion of the Transfer.

#### *Earnings*

We understand from the Company that upon completion of the Transfer, the Company will adopt the straight-line depreciation method to allocate the cost of the Assets over its estimated useful life of 30 years. It is estimated that an annual depreciation expenses of approximately RMB1.05 million will be charged in the profit and loss account of the Group. Apart from the above, the Group does not expect any material effect on the profit and loss account of the Group after completion of the Transfer.

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## LETTER FROM VXLFS

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### *Working capital*

The Transfer is made only for the purpose of repayment of the Debt by PEGL to the Company and the entire amount of the Consideration represents the whole of the Debt repayable by PEGL to the Company pursuant to the Agreement. As such, no financing for the Consideration by the Company is necessary.

Given the above, there will be no adverse impact on the working capital position of the Group as a result of the Transfer.

## RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

- the Appropriated Capital has to be settled by PEGL Group under the requirements set out in the “Notice of endorsement of opinions from the China Securities Regulatory Commission on raising the quality of listed companies” (《國務院批轉證監會關於提高上市公司質量意見的通知》) on or before 31 December 2006;
- the financial difficulties encountered by PEGL Group;
- the Transfer will provide an opportunity for the Group to expedite the recovery of the remaining balance of the Appropriated Capital;
- the Assets could be utilised by the Group for development of the Group’s principal business activities;
- the Consideration equals to the latest appraised market value of the Assets as of 30 September 2006 based on the Valuation Report; and
- there will be no material adverse financial impact on the Group upon completion of the Transfer,

we are of the view that the Agreement are in the interests of the Company and the Independent Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully,  
For and on behalf of  
**VXL Financial Services Limited**  
**Gary Mui**  
*Director*

**Vigers Appraisal & Consulting Limited**

International Assets Appraisal Consultants

10th Floor, The Grande Building

398 Kwun Tong Road

Kowloon

Hong Kong



6 December 2006

The Directors

Nanjing Panda Electronics Company Limited

301 East Zongshan Road

Nanjing

The PRC

Dear Sirs,

In accordance with your instructions for us to value the property interests exhibited to us as held by 熊貓電子集團有限公司(the “Panda Group”) in the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you (“the Company”) with our opinion of the market value of such property interests as at 30 September 2006 (“the date of valuation”) for the purpose of incorporating in the circular.

Our valuation is our opinion of the market value of the property interest which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing Property 1, we have adopted a combination of the market and depreciated replacement cost approaches respectively in assessing the land portion of the property, and the buildings and structures standing on the land. The sum of the two results represents the market value of the property as a whole. In the valuation of the land, reference has been made to the standard land prices in the relevant cities and the sales evidences as available to us in the locality. For Property 2, we have estimated the value of the property by the Comparison Approach via making reference to comparable sales evidences or offerings as available in the relevant localities. Unless otherwise stated, the valuations represent the value of the entire property interests described in the valuation certificates and not the value of a share of them.

The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes a reliable indication of value for property in the absence of a known market based on comparable sales. It is subject to adequate potential profitability of the business or of the whole entity.

Our valuation has been made on the assumption that the owner sell the property interests on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation. Other assumptions in respect of each property, if any, have been set out in the footnotes of the valuation certificates for the respective properties.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us.

In undertaking our valuation of the properties in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, 江蘇法德永衡律師事務所.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas, development plan, construction costs, identification of the properties and other relevant matters. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have not carried out investigations on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”).

We enclosed herewith a summary of our valuation and the valuation certificates.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor*  
**MRICS MHKIS MSc(e-com)**  
Executive Director

*Note:* Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS has over nineteen years’ experience in undertaking valuations of properties in Hong Kong and Macau, and has over twelve years’ experience in valuation of properties in the PRC. Mr. Ho has been working with Vigers Group since 1989.

## SUMMARY OF VALUATION

| Property                                                                                                                                                  | Capital Value<br>in existing state as at<br>30 September 2006 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 1. A parcel of land together with<br>a workshop building located at<br>118 Haifuxiang,<br>Shimenkan Town,<br>Baixia District,<br>Nanjing City,<br>the PRC | RMB9,700,000*                                                 |
| 2. Units 101, 201 and 202,<br>Blocks 05 and 06 (Block 6),<br>Hi Tech Development Zone,<br>Nanjing City,<br>the PRC                                        | RMB5,600,000                                                  |
| Total:                                                                                                                                                    | <hr/> RMB15,300,000 <hr/>                                     |

\* Please see footnote(iii) in the certificate.

## VALUATION CERTIFICATES

| Property                                                                                                                                | Description                                                                                                                                                                                                                                                                                                                                                                                         | Particulars of occupancy                                                                   | Capital Value in existing state as at 30 September 2006 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------|
| 1. A parcel of land together with a workshop building located at 118 Haifuxiang, Shimenkan Town, Baixia District, Nanjing City, the PRC | <p>The property comprises a parcel of industrial land having a total site area of approximately 14,129.1sq.m. together with a 5-storey workshop building completed in about 2005 erected thereon.</p> <p>The completed workshop building has a total gross floor area of approximately 5,756.61 sq.m.</p> <p>The property is held with land use rights for a term expiring on 28 February 2040.</p> | The building is currently held by the Panda Group and to be used as a production workshop. | RMB9,700,000<br>(see note (iii) below)                  |

*Notes:*

- i According to the Land Use Rights Certificate Ning Bai Guo Yong No.(2002) 05156, the land use rights of the property have been granted to 熊猫電子集團有限公司 for a term expiring on 28 February 2040 for industrial uses. According to the Company, the land use rights were acquired in June 2002 at a cost of about RMB2,229,000.
- ii According to a Construction Works Planning Permit No. Ning Gui Cheng Zhong Jian Zhu[2003]0048, the planning permit for the construction of the workshop having an area of 5,756.61 sq.m. has been granted. According to the Company, application on the issuance of a Building Ownership Certificate for the building is in progress.
- iii We have ascribed no commercial value to the building portion of the property due to its absence of a building ownership certificate. For reference purpose, the depreciated replacement cost of the building, as at the date of valuation, was in the region of RMB16,300,000.
- iv The PRC legal opinion states, inter alia, as follows:
  1. 熊猫電子集團有限公司 has acquired the land use rights of the property via assignment and has obtained a complete title certificate for it. There is no unsettled land use rights premium and no mortgage and legal dispute to which the property is subject. The land use rights can be freely assigned, mortgaged or leased out in accordance with the laws.
  2. According to the Company, application on the issuance of a Building Ownership Certificate for the building is in progress. In the PRC lawyer's opinion, the building can be freely assigned and there should be no legal impediment on the application and issuance of building ownership certificate for the building erected on the land.

| Property                                                                                               | Description                                                                                                                                                                                                                                                                                                  | Particulars of occupancy                                                  | Capital Value in existing state as at 30 September 2006 |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------|
| 2. Units 101, 201 and 202, Blocks 05 and 06 (Block 6), Hi Tech Development Zone, Nanjing City, the PRC | <p>The property comprises three units on the first and the second levels of a 4-storey industrial building completed in about 1992.</p> <p>The property has a gross floor area of approximately 2,814.74 sq.m.</p> <p>The property is held with land use rights for a term expiring on 30 November 2042.</p> | The property is currently occupied by the Panda Group for warehouse uses. | RMB5,600,000                                            |

*Notes:*

- i According to the Building Ownership Certificate Ning Fang Quan Zheng Pu Chu Zi No.101006, the title of the property is vested in 熊貓電子集團有限公司. According to the Company, the property was acquired in November 2002 at a cost of about RMB3,920,000.
- ii According to the Land Use Rights Certificate Ning Pu Guo Yong (2002) Zi No.01517, the land use rights of the property have been granted to 熊貓電子集團有限公司 for a term expiring on 30 November 2042 via assignment for industrial uses.
- iii The PRC legal opinion states, inter alia, that 熊貓電子集團有限公司 has acquired the land use rights and the building of the property via assignment and has obtained complete title certificates for them. There is no mortgage or legal dispute to which the property is subject. The land use rights and the building can be freely assigned, mortgaged or leased out in accordance with the laws.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors or supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or supervisors or the chief executive of the Company are deemed or taken to have under such provisions of the SFO) or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules.

Interests in the Company's domestic shares:

| Name           | Duties                                        | No. of Domestic<br>Shares held<br>(Long position) | Percentage<br>of share<br>capital<br>in issue (%) | Nature of<br>such interest |
|----------------|-----------------------------------------------|---------------------------------------------------|---------------------------------------------------|----------------------------|
| Xu Guofei      | Non-executive Director                        | 1,886                                             | 0.004                                             | Personal interest          |
| Zhu Lifeng     | Non-executive Director                        | 2,743                                             | 0.004                                             | Personal interest          |
| Shi Qiusheng   | Non-executive Director &<br>Company secretary | 3,343                                             | 0.005                                             | Personal interest          |
| Zhang Zhenping | Chairman of the Supervisory<br>Committee      | 3,429                                             | 0.005                                             | Personal interest          |
| Wang Hongjin   | Deputy General Manager                        | 8,300                                             | 0.013                                             | Personal interest          |

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or supervisors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors or supervisors has or has had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31st December, 2005 (being the date to which the latest published audited accounts of the Company were made up).

**(B) Substantial shareholders' interests**

As at the Latest Practicable Date, so far as is known to any Director or supervisors or chief executive of the Company, other than the interests of the Directors or supervisors or chief executive of the Company as disclosed above, none of the Directors or supervisors or the chief executive of the Company is aware of any other person having interests or short positions in the shares, underlying shares and debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 or Part XV of the SFO.

The following Directors and supervisors of the Company are holding offices as director or employee in Panda Electronics Group Limited ("PEGL"), the substantial shareholder of the Company which has an interests in the shares of the Company which would fall to be disclosed to the Company under provisions 2 and 3 of Part XV of the Securities and Futures Ordinance:

| <b>Name</b>    | <b>Name of the<br/>Company's shareholders</b> | <b>Position held in<br/>this Company's shareholders</b> |
|----------------|-----------------------------------------------|---------------------------------------------------------|
| Li Anjian      | PEGL                                          | Chairman                                                |
| Xu Guofei      | PEGL                                          | General Manager                                         |
| Liu Ailian     | PEGL                                          | Deputy General Manager                                  |
| Zhu Lifeng     | PEGL                                          | Deputy General Manager                                  |
| Shi Qiu Sheng  | PEGL                                          | Chairman to Labor Union                                 |
| Zhang Zhenping | PEGL                                          | Deputy Secretary to Party Committee                     |

As at the Latest Practicable Date, so far as is known to any Director or supervisors or chief executive of the Company, other than the interests of the Directors or supervisors or chief executive of the Company as disclosed above, none of the Directors or supervisors or the chief executive of the Company is aware of any other person who has interests or short positions in the shares, underlying shares and debenture of the Company of any persons which would fall to be disclosed under the provisions of Divisions 2 and 3 or Part XV of the SFO.

As at the Latest Practicable Date, the following companies are interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

| Name of Substantial Shareholder | Class/<br>No. of Shares<br>interested<br>(long position) | Nature of Interest                                                      | Approximate<br>Percentage in<br>the relevant<br>class of shares<br>in issue | Approximate<br>Percentage<br>in the<br>total shares<br>in issue |
|---------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------|
| PEGL                            | 334,715,000<br>domestic shares                           | Corporate interest<br>held in the capacity<br>of beneficial owner       | 81.04%                                                                      | 51.10%                                                          |
| Lewis Joseph                    | 20,260,000<br>H shares                                   | Personal interest<br>held in the capacity<br>of beneficial owner        | 8.38%                                                                       | 3.10%                                                           |
| Tuesday Thirteen Inc.           | 16,920,000<br>H shares                                   | Corporate interest<br>held in the capacity<br>of controlled corporation | 7%                                                                          | 2.59%                                                           |

As at the Latest Practicable Date, so far as is known to any director or chief executive of the Company, the following parties, other than a director or chief executive of the Company, have, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such party's interest in such securities, together with particulars of any options in respect of such capital:

| <b>Name of Shareholders</b>                                                                 | <b>Name of Subsidiaries</b>                                          | <b>Number of shares held</b> | <b>Percentage to the issued share capital of the subsidiary</b> |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------|
| 南京白下區石門坎鎮<br>工業公司<br>(Nanjing Baixia<br>District Shi Men<br>Kan Zhen<br>Industrial Company) | Nanjing Guanghua Electronic<br>Plastic Installing Plant              | 3,500,000                    | 28.06%                                                          |
| Simsen Technology<br>Limited                                                                | Nanjing Panda Netcom<br>Technology Co., Ltd.                         | 5,000,000                    | 50%                                                             |
| Panda Electronics<br>(Hong Kong)<br>Company Limited                                         | Nanjing Panda Information<br>Industry Co., Ltd.                      | 952,000                      | 28%                                                             |
| Centra Developments<br>Company Limited                                                      | Nanjing Panda International<br>Telecommunication System<br>Co., Ltd. | 280,000                      | 28%                                                             |
| Han Danmei                                                                                  | Nanjing Panda Netcom<br>Technology Co., Ltd.                         | 500,000                      | 10%                                                             |
| Labour Union of<br>Panda Mechanical<br>Nanjing Manufacturing<br>Co. Ltd.                    | Nanjing Panda Mechanical<br>Manufacturing Co. Ltd.                   | 1,500,000                    | 30%                                                             |
| Liu Changhua                                                                                | Nanjing Panda System<br>Integration Co., Ltd.                        | 380,000                      | 12.67%                                                          |
| Zhang Yongjie                                                                               | Nanjing Panda<br>Accurate Machinery Co., Ltd.                        | 525,000                      | 10.5%                                                           |

Save as disclosed above, so far as is known by the Company, no other persons (exclusive of directors, supervisors and senior management members of the Company) has any interests or short positions which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register pursuant to section 336 of the SFO.

### **3. SERVICE CONTRACTS**

The Company has not signed any new service contract with any Director or supervisor and none of the Directors or supervisors has any existing or proposed service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **4. LITIGATION**

Save as disclosed in the Annual Report 2005 and 2004 and as far as the Directors are aware, neither the Company nor any of its subsidiaries is involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

### **5. EXPERTS AND CONSENTS**

The followings are the qualification of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

| <b>Name</b> | <b>Qualifications</b>                                                                                                                                                               |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFA         | VXL Financial Services Limited, a licensed corporation by the Securities and Futures Committee to conduct type 6 (advising on corporate finance) regulated activities under the SFO |
| Valuer      | Vigers Appraisal & Consulting Ltd., Chartered Surveyor                                                                                                                              |
| PRC Valuer  | Nanjing Yonghua Certified Public Accountants Company Limited (南京永華會計師事務所有限公司), Certified Public Accountants                                                                         |
| PRC Lawyer  | Jiangsu FD Yongheng Law Firm (江蘇法德永衡事務所), the legal advisor on PRC law                                                                                                              |

Each of IFA, the Valuer, the PRC Valuer and the PRC Lawyer has given and has not withdrawn its written consent to the issue of this circular within the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

Each of IFA, the Valuer, the PRC Valuer and the PRC Lawyer is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## **6. MATERIAL ADVERSE CHANGE**

Save as disclosed in the Annual Report 2005, as at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up.

## **7. GENERAL**

- (a) The company secretary of the Company is Mr. Shi Qiu Sheng who is a senior economist. The Company has obtained a three-year conditional waiver from the Stock Exchange from strict compliance with Rule 3.24 of the Listing Rules in relation to the requirement for the appointment of a qualified accountant that the Company could appoint Mr. Wu Liu Lin, the vice general manager and a member of a senior management of the Company, as its qualified accountant under Rule 3.24 of the Listing Rules and Ms. Wong Wan Lung, being a fellow member of Hong Kong Institute of Certified Public Accountant, to assist Mr. Wu for fulfillment of his duties as the qualified accountant during the relevant waiver period.
- (b) The share registrar and transfer office of the Company is Hong Kong Registrars Limited of Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) As at the Latest Practicable Date, the issued share capital of the Company was RMB655,015,000, which comprised 334,715,000 restricted circulating shares held by PEGL and 320,300,000 circulating shares. Among the circulating shares, 242,000,000 are overseas listed foreign shares (H shares) and 78,300,000 are Renminbi ordinary shares (A shares).

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the offices of 301 Zhong Shan Road East, Nanjing, the People's Republic of China from the date of this circular and the copies of the following documents will be available for inspection at the office of the Company's Solicitors, Philip K.H. Wong, Kennedy Y.H. Wong & Co., at 23rd Floor, Admiralty Centre Tower II, 18 Harcourt Road, Hong Kong during normal business hours from the date of this circular up to and including 29 December 2006:

- (i) The Agreement;
- (ii) The letter from the Independent Board Committee as set out in this circular;
- (iii) The letter from VXLFS as set out in this circular;
- (iv) The written consents referred to in the paragraph headed "Experts and Consents" in this Appendix;
- (v) The Valuation Report;
- (vi) The Asset Valuation Report on Asset Transfer by Panda Electronic Group Limited (Ning Yong Kuai Ping Bao Zi (2006) No.044) provided by the PRC Valuer;
- (vii) The Memorandum and Articles of Association of the Company;
- (viii) The annual reports of the Company for the three years ended as 31 December 2005; and
- (ix) This circular.

It is proposed to amend the Articles of Association as follows:

- (1) That a new Article 6 be inserted immediately after the original Article 5 and shall be read as follows:**

“Article 6       The Company’s entire assets shall be divided into equal shares. Each shareholder’s liability shall be limited to the number of the Company’s share(s) he has subscribed. The Company’s liability shall be limited to the Company’s entire assets.”

- (2) That a paragraph be inserted as the 3rd paragraph of the original Article 9 and shall be read as follows:**

“Other Senior Management Staff hereinafter referred to in the Articles of Association means Deputy General Manager, Chief Accountant and Secretary to the Board of Directors of the Company.”

- (3) That a new Article 25 be inserted immediately after the original Article 23 and shall be read as follows:**

“Article 25       The Share Segregation Reform Proposal of the Company was approved at the Relevant Shareholders’ Meeting on 28 July 2006 and was approved and endorsed by Ministry of Commerce of the State Council. The shareholding of the Company is as follows: There are a total of 655,015,000 ordinary shares, of which 334,715,000 circulating shares are held by Nanjing Panda Electronics Company Limited, representing 51.10% of the total share capital; 78,300,000 shares are held by public shareholders, representing 11.95% of the total share capital; 242,000,000 shares are held by overseas listed foreign shareholders, representing 36.95% of the total share capital.”

- (4) The 2nd paragraph of the original Article 25 be altered and hence shall be read as follows:**

“(1) Issuing new shares to the public;

(2) Offering new shares to designated investors;

(3) Placement of new shares to existing shareholders;

(4) Bonus issues of new shares to the existing shareholders;

(5) Other manners as permitted by the laws and administrative regulations or that approved by China Securities Regulatory Commission.”

- (5) Three (3) Articles be inserted after the original Article 26 as the new Article 29, Article 30 and Article 31 and shall be read as follows:

“Article 29      The Company does not accept the shares of the Company as the subject matter (標的) of a pledge.

Article 30      The Company’s shares held by the promoters shall not be transferred within one (1) year of the incorporation of the Company. The shares issued by the Company prior to the Company’s public offering of its shares shall not be transferred within one (1) year from the date the Company gets listed and its shares being traded in a stock exchange.

The directors, supervisors and senior management staff of the Company shall declare to the Company the number of the Company’s shares held by them and changes, if any, of their respective shareholdings. During their terms of office, each of them shall not, within a year, transfer more than 25% of the total number of the Company’s shares each is holding; the Company’s shares held by them shall not be transferred within one (1) year from the date the Company gets listed and its shares being traded in a stock exchange. Within six (6) months of the abovementioned persons leaving office, he shall not transfer the Company’s shares held by him.

Article 31      Where a director, supervisor, a member of the senior management staff of the Company or any shareholder, other than a overseas listed foreign shareholder, holding more than 5% of the Company’s shares sells his shares of the Company within 6 months after his purchase of such shares, or re-purchases the shares within 6 months after his selling such shares, the proceeds generated therefrom shall become that of the Company. The board of directors of the Company shall have the proceeds back. However, where a securities company holds more than 5% of the Company’s shares as a result of underwriting, the sale of the residue of the Company’s shares shall not be subject to this 6-month restriction.

Where the board of directors of the Company fails to act in accordance with the provisions set out in the preceding paragraph, the shareholders have the right to request the board of directors to act within 30 days in accordance with that as set out in the preceding paragraph. Where the board of directors of the Company fails to act in accordance with such provisions within the aforesaid period of time, the shareholders have the right to, in the interests of the Company, directly file a lawsuit with the People’s Court in their own names.

Where the board of directors of the Company fails to act according to the provisions set out in the preceding paragraph, the directors in charge shall bear several and joint liabilities in accordance with the law.”

**(6) The original Article 29 be altered and hence shall be read as follows:**

“Article 34 In the following circumstances, the Company may repurchase its issued shares in accordance with the laws, administrative regulations, departmental codes and procedures provided by the Articles of Association after such repurchase is approved by the relevant principal authorities of the State:

- (1) Cancellation of shares for the purpose of reduction of capital of the Company;
- (2) Merger with other companies which hold shares of the Company;
- (3) Award of shares of the Company to employees;
- (4) Shareholders raising objection to a resolution passed in the General Meeting on merger with other companies or division of the Company and hence requesting the Company to repurchase their shares; or
- (5) Other circumstances permitted by the laws and administrative regulations.”

**(7) The following be inserted at the end of the original Article 30 and hence shall be read as follows:**

“(4) in other manners as recognized by China Securities Regulatory Commission.”

**(8) The original Article 32 shall become Article 37 and be altered and hence shall be read as follows:**

“Article 37 If the Company repurchases its shares pursuant to Article 34 (1) - (3), a resolution thereof shall be passed in the General Meeting. Where the Company repurchases its shares pursuant to Article 34(1), the repurchased shares shall be cancelled within 10 days from the date of repurchase; where shares are repurchased pursuant to Article 34 (2) and/or (4), the repurchased shares shall be transferred or cancelled within 6 months from the date of repurchase. Shares repurchased by the Company pursuant to Article 34(3) shall not exceed 5% of the total issued shares of the Company. The fund used for the repurchase of shares shall be paid from the after-tax profits of the Company.

The shares purchased by the Company shall be transferred to the employees within 1 year.”

**(9) Clauses (2), (4), (5)(v) and (7) of the original Article 51 shall be altered and hence read as follows:**

- “(2) To request, convene, preside, attend or appoint a proxy to attend shareholders’ meetings and to exercise his right to vote in accordance with the laws;
- (4) To transfer, give or pledge shares in accordance with the laws, administrative regulations and the Articles of Association;
- (5)(v) Minutes of shareholders’ meetings, resolutions of Board Meetings, Supervisory Committee Meetings, financial and auditors’ reports and stud of debentures of the Company.
- (7) For a shareholder who raises objection to a resolution passed in the General Meeting on merger with other companies or division of the Company, the right to request the Company to repurchase the shares held by him;”

**(10) Four articles be inserted after the original Article 51 as the new Article 57, Article 58, Article 59 and Article 60 and shall be read as follows:**

“Article 57        A shareholder who proposes to inspect relevant information mentioned in the previous Article 55 or to get materials shall produce written supporting documents to prove to the Company the nature and number of the Company’s shares held by him. The Company shall provide the information as requested by the shareholder upon verifying his capacity as a shareholder.

Article 58        In the event the content of a resolution passes in a General Meeting or a board meeting is in violation of any law or administrative regulation, a shareholder shall have the right to request the People’s Court to invalidate such resolution.

In the event the procedures for calling for a General Meeting or a board meeting or the way of voting is in violation of any law, or administrative regulation or the resolution itself is in violation of the Articles of Association, or the content of a resolution passed is in violation of the Articles of Association, a shareholder may, within 60 days from the date the resolution being passed, request the People’s Court to revoke the resolution.”

Article 59      Where any director or member of the senior management staff violates any law, administrative regulation, or the Articles of Association in the course of performing his duties and thereby causing any loss to the Company, a shareholder who individually or jointly holds 1% or more of the Company's shares for a period of consecutive 180 days or more may request the supervisory committee in writing to initiate a lawsuit in the People's Court. Where the supervisory committee violates any law, administrative regulation, or the Articles of Association in the course of performing its duties thereby causing any loss to the Company, a shareholder may request the board of directors in writing to initiate a lawsuit in the People's Court.

If the supervisory committee or the board of directors refuses to lodge a lawsuit after it receives an aforementioned written request in the preceding paragraph, or if it fails to initiate a lawsuit within 30 days after it receives the request, or if, it is in an emergency that the failure to lodge a lawsuit immediately may cause irretrievable damage to the interests of the Company, the aforementioned shareholder in the preceding paragraph may, in the interest of the Company, directly lodge a lawsuit in the People's Court in his own name.

If the legitimate rights and interests of the Company are impaired and any losses are caused to the Company, the aforementioned shareholder in the first paragraph of this Article may initiate a lawsuit in the People's Court in accordance with the provisions of the 1st and 2nd paragraphs of this Article 59.

Article 60      If any director or member of the senior manager staff does any act jeopardizing the shareholders' interests by violating any law, administrative regulation, or the Articles of Association, a shareholder may lodge a lawsuit in the People's Court."

**(11) That Clauses (3) and (4) be inserted after Clause (2) of the original Article 52 and shall be read as follows:**

"(3) Save as stipulated by the laws or regulations, no share refund is allowed;

(4) There shall be no abuse of a shareholder's rights to jeopardize the Company's or other shareholder's interests; there shall be no abuse of the Company's status as an independent legal person or any abuse of the limited liability of a shareholder to jeopardize the interests of the Company's creditors."

- (12) One (1) article be inserted after the original Article 52 as the new Article 62 and shall be read as follows:**

“Article 62       Where a shareholder holding shares of 5% or more carrying voting rights pledges his shares, he shall report to the Company in writing on the date on which the shares are pledged.”

- (13) One paragraph be inserted to the original Article 53 and shall be read as the 1st paragraph as follows:**

“The controlling shareholders and the de facto ultimate controller of the Company shall not jeopardize the interest of the Company by way of their connected relationship with the Company. Anyone in breach of this provision thereby causing loss to the Company shall compensate the Company.”

- (14) Clauses (14), (15), (16) and (17) be inserted after Clause (13) of the original Article 58 and shall be read as follows:**

“(14) Review and approve the guarantee as that required by Article 68;

(15) Review matters in respect of acquisitions and/or disposals of substantial assets the value of which in a year is in excess of 30% of the latest audited gross assets of the Company;

(16) Review and approve the change of use of the capital fund raised;

(17) Review the share equity incentive plan;”

- (15) One (1) article be inserted after the original Article 58 and become the new Article 69 and shall be read as follows:**

“Article 69      The following external guarantees shall be subject to review and approval in the General Meetings:

- (1)      Any guarantee provided after the total amount of external guarantees provided by the Company and its controlling subsidiaries reaching or exceeding 50% of the latest audited net assets;
- (2)      Any guarantee provided after the total amount of external guarantee provided by the Company reaching or exceeding 30% of the latest audited gross assets;
- (3)      Guarantees provided to an institute with gearing ratio exceeding 70%;
- (4)      A single guarantee to an amount exceeding 10% of the latest audited net assets;
- (5)      A guarantee provided to shareholders, de facto ultimate controller and its connected parties.”

- (16) Six (6) Articles be inserted after the original Article 60 and become the new Article 72, Article 73, Article 74, Article 75, Article 76 and Article 77 and shall be read as follows:**

“Article 72      An independent director has the right to propose to the Board of Directors to convene an Extraordinary General Meeting. The Board of Directors shall, in accordance with the laws, administrative rules and provisions of the Articles of Association, give its reply in writing stating whether it agrees or disagrees to convene the Extraordinary General Meeting within 10 days after receipt from the independent director of the said proposal.

In the event that the Board of Directors gives its consent to convene the Extraordinary General Meeting, a notice of Extraordinary General Meeting shall be issued within 5 days after the Board of Directors passed the relevant resolution. In the event that the Board of Directors does not give its consent to convene the Extraordinary General Meeting, it shall issue an announcement to state the reasons.

Article 73      The Supervisory Committee has the right to propose to the Board of Directors to convene an Extraordinary General Meeting and shall propose the same to the Board of Directors in writing. The Board of Directors shall give its reply in writing stating whether it agrees or disagrees to convene the Extraordinary General Meeting within 10 days after receipt of the said proposal in accordance with the laws, administrative rules and provisions in the Articles of Association.

In the event that the Board of Directors gives its consent to convene the Extraordinary General Meeting, a notice of General Meeting shall be issued within 5 days after the Board of Directors passed the relevant proposal. Prior approval from the Supervisory Committee is required for any change to the original proposal.

In the event that the Board of Directors does not give its consent to convene the Extraordinary General Meeting, or fails to give any reply within 10 days after the receipt of the said proposal, the Board of Directors shall be deemed to be unable to perform or failing to perform its function of convening a General Meeting. The Supervisory Committee itself may convene and preside over the General Meeting.

Article 74      Any shareholder holding shares of 10% or more severally or jointly has the right to propose to the Board of Directors in writing to convene an Extraordinary General Meeting. The Board of Directors shall give its reply in writing stating whether it agrees or disagrees to convene the Extraordinary General Meeting within 10 days after receipt of the said proposal in accordance with the laws, administrative rules and provisions in the Articles of Association.

In the event that the Board of Directors gives its consent to convene the Extraordinary General Meeting, a notice of General Meeting shall be issued within 5 days after the Board of Directors passed the relevant resolution. Prior consent from the relevant shareholder is required for any change to the original request.

In the event that the Board of Directors does not give its consent to convene the Extraordinary General Meeting, or fails to give any feedback within 10 days after the receipt of the said proposal, a shareholder who severally or jointly holding the Company's shares of 10% or more has the right to propose to the Supervisory Committee in writing of convening an Extraordinary General Meeting.

In the event that the Supervisory Committee gives its consent to convene the Extraordinary General Meeting, a notice of Extraordinary General Meeting shall be issued within 5 days after the receipt of said proposal. Prior consent from the relevant shareholder is required for any change, as appeared in the notice, to the original proposal.

In the event that the Supervisory Committee fails to issue the notice of Extraordinary General Meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene or preside over the General Meeting. A shareholder who severally or jointly holds the Company's shares of 10% or more in a period of consecutive 90 days may convene and preside over the meeting on his own.

Article 75      In the event that the Supervisory Committee or the aforesaid shareholder decides to convene the General Meeting on its/ his own, the Supervisory Committee or the aforesaid shareholder shall notify the Board of Directors in writing and file with relevant authorities of China Securities Regulatory Commission and the stock exchange where the Company is located.

The shareholding in the Company of a shareholder who convenes the General Meeting shall not be less than 10% prior to the announcement of resolutions of the General Meeting.

The shareholder who convenes the General Meeting shall submit relevant supporting documents to relevant authorities of CSRC and the stock exchange where the Company is located upon the issuing of notice of the General Meeting and announcement of resolutions of the General Meeting.

Article 76      The Board of Directors and the Secretary to the Board of Directors will co-operate with the Supervisory Committee or the shareholder who convene the General Meeting on its/his own. The Board of Directors shall provide the register of members as at the date of the share equity registration.

Article 77      Any expenses necessary for and incurred from the General Meeting convened by the Supervisory Committee or the aforesaid shareholder shall be borne by the Company.”

**(17) The original Article 63 be altered and hence shall be read as follows:**

“Article 80        When the Company convenes a General Meeting, the board of directors, the Supervisory Committee and shareholders who severally or jointly hold 3% or more of the shares of the Company have the right to make new proposals to the Company in writing. Where such proposals containing matters within the functions to be performed in a General Meeting, the Company shall put such matters in the agenda of the General Meeting.”

**(18) One (1) Article be inserted after the original Article 63 and become the new Article 81 and shall be read as follows:**

“Article 81        After the notice of General Meeting is issued, the General Meeting shall not be postponed or cancelled without a proper reason and the proposals stated in the notice of General Meeting shall not be cancelled. In the event of any postponement or cancellation, the convener shall issue an announcement and state the reasons therein at least 2 working days before the original date of the General Meeting.”

**(19) The original Article 68 be altered and become the new Article 86 and shall be read as follows:**

“Article 86        On the basis of an assurance that the General Meeting will be convened in a legal and valid way, the Company may conduct the General Meeting by various means and channels, inter alia, the provision of online voting platform with up-to-date information technique to facilitate the shareholders participating in the General Meeting.

The General Meeting is to be conducted online or by way of other means, the time and procedure of such online voting or other voting methods shall be clearly stated in the notice of General Meeting. The online voting or other voting methods of the General Meeting shall commence no earlier than 3:00 p.m. of a day prior to the date of the General Meeting but no later than 9:30 a.m. on the date of the General Meeting and it shall terminate no earlier than 3:00 p.m. on the date of conclusion of the General Meeting.”

**(20) The original Article 69 be deleted.**

**(21) Two (2) paragraphs be inserted to the original Article 77 and shall become the 2nd and 3rd paragraphs and shall be read as follows:**

“The Company’s shares held by the Company do not carry any voting rights. Such shares shall not be included in the total number of shares vested with voting rights that represent the shareholders attending of the General Meeting.

The Board of Directors, independent directors and shareholders satisfying conditions of relevant stipulations may gather Shareholders’ voting rights.

- (22) One (1) article be inserted to the original Article 77 and become a new Article 95 and shall be read as follows:**

“Article 95 All directors, supervisors and Secretary to the Board of Directors shall attend all General Meetings. The general manager and other senior management staff shall observe the meeting.”

- (23) The original Article 83 be deleted.**

- (24) Three (3) Articles be inserted after the original Article 83 and become the new Article 101, Article 102 and Article 103 and shall be read as follows:**

“Article 101 The list of candidates of directors and supervisors shall be submitted to the General Meeting for voting in the form of proposal.

In the election of directors and supervisors in the General Meeting, accumulative polling system may be adopted in accordance with the provisions in the Articles of Association or resolutions passed in the General Meeting.

The accumulative polling system as mentioned in the preceding paragraph means that in the election of directors and supervisors in the General Meeting, each share bears a voting right equivalent to the number of directors or supervisors to be elected. The voting rights held by the shareholders may be accumulated for casting votes. The Board of Directors shall announce to the shareholders the biographies and basic information of each candidate of directors or supervisors.

Article 102 In the event a proposal is not passed or any change is made in the current General Meeting to a resolution passed in the previous general meeting, special reminders shall be made in the announcement of resolutions of the General Meeting.

Article 103 In the event proposal regarding cash distribution A bonus share or capital reserve share transfer is passed in the General Meeting, the Company shall implement the specific plans within 2 months after conclusion of the General Meeting”

- (25) The original Article 84(4) be altered and hence shall be read as follows:**

“(4) the annual budgets and statements of final accounts of the Company and the annual report of the Company;”

- (26) Clauses (5) and (6) be inserted after the original Article 85(4) and hence shall be read as follows:**

“(5) Substantial assets acquired or disposed of or guarantee granted for an amount exceeding 30% of the latest audited total assets of the Company within 1 year;

(6) share equity incentive plan;”

- (27) One (1) article be inserted after the original Article 85 and become the new Article 106 and hence shall be read as follows:**

“Article 106      Where matters relating to connected transactions are reviewed in the General Meeting, connected shareholders shall not cast their votes. Their shares which carry voting rights shall not be included in the total number of effective votes. Announcements on resolutions of General Meeting shall adequately disclose the votes cast by unconnected shareholders.”

- (28) Three paragraphs be inserted after the first paragraph of original Article 89 and become the new 2nd, 3rd and 4th paragraphs and hence shall be read as follows:**

“Where a General Meeting is convened by the Supervisory Committee itself, the General Meeting shall be presided by the Chairman of the Supervisory Committee. If the Chairman of the Supervisory Committee fails to or does not perform his duty, the General Meeting shall be presided by the Deputy Chairman of the Supervisory Committee. If the Deputy Chairman of the Supervisory Committee fails to or does not perform his duty, the General Meeting shall be presided by a supervisor collectively elected by the majority of the supervisors.

Where a General Meeting is convened by a shareholder, the General Meeting shall be presided by a representative elected by the convener.

In the General Meeting, where the Chairman of the General Meeting breaches the rules of procedure of the General Meeting which makes it unable to carry on the General Meeting, a person may be elected as the Chairman of the General Meeting by the majority of the attending shareholders with voting rights so as to carry on the General Meeting.”

- (29) One (1) Article be inserted after the original Article 92 and become the new Article 114 and hence shall be read as follows:**

“Article 114      The Company shall appoint a lawyer to provide legal advice in the General Meeting of the Company to the following issues and make announcement accordingly:

- (1)      Whether the convening and procedure of holding the General Meeting are in compliance with the laws, administrative regulations and the Articles of Association;
- (2)      Whether the qualifications of members attending the General Meeting and the convener of the General Meeting are lawful and valid;
- (3)      Whether the voting procedure and voting results of the General Meeting are lawful and effective;
- (4)      Provision of legal advice to other relevant issues as requested by the Company.”

- (30) One (1) paragraph be inserted after the 2nd paragraph and become the new 3rd paragraph of the original Article 103; one (1) paragraph be inserted after the 4th paragraph and become the new 6th paragraph and the original 5th paragraph be altered and hence shall be read as follows respectively:**

“The term of office of a director shall take effect from the date of assumption until expiry of term of office of the current board of directors. In the event no re-election takes place before the expiry of the term of office of the director, the original director shall continue to perform his duties of directorship in accordance with the laws, administrative regulations, departmental codes and provisions of the Articles of Association before a new director is elected and assumes office.”

“Save as in the circumstance provided in the preceding paragraph, resignation of a director shall become effective when the resignation report is served to the Board of Directors.”

“Chairman and Vice Chairman shall be elected and removed by a majority of votes of all directors. The terms of office of a Chairman and a Vice Chairman shall be one of 3 years and are eligible for re-election. A director may also take up other senior management positions, but the total number of directors who simultaneously taking up positions of general manager or other senior management position shall not exceed 1/2 of the total number of directors of the Company.”

- (31) The original Article 104 (12) be altered and hence shall be read as follows:**

“To determine issues including external investments, acquisition and disposal of assets, pledge of assets, external guarantee, fund management on trust and connected transactions other than those having been decided in the General Meeting;”

- (32) Two (2) articles be inserted after the original Article 104 and become the new Article 127 and Article 128 and hence shall be read as follows:**

“Article 127      The Board of Directors shall give explanations at the General Meeting on the qualified auditing opinions issued by the certified public accountants to the Company’s financial reports.

Article 128      The Board of Directors shall formulate rules of procedure of its meetings to ensure that the Board of Directors have put into action the resolutions passed at the General Meeting so as to promote work efficiency and make scientific decisions.”

- (33) The original Article 109 be deleted.**

**(34) The 2nd paragraph of the original Article 111 be altered and hence shall be read as follows:**

“The Vice Chairman shall assist the Chairman with his work. If the Chairman fails to or does not perform his duties, such duties shall be performed by the Vice Chairman. If the Vice Chairman fails to or does not perform his duties, the duties shall be performed by a director collectively elected by a majority of directors.”

**(35) The original Article 112 be altered and hence shall be read as follows:**

“Article 134      The Board of Directors shall convene at least 2 meetings each year. The meetings shall be convened by the Chairman. All directors shall be notified of the board meeting 10 days in advance. Shareholders representing voting rights of one-tenth or more, one-third or more of directors or the Supervisory Committee may propose to convene an extraordinary board meeting. The Chairman shall convene and preside the meeting within 10 days upon receipt of the proposal.”

**(36) One article be inserted after the original Article 118 and become the new Article 142 and hence shall be read as follows:**

“Article 142      Where a director has connected relationship with an enterprise involved in an issue to be resolved in the board meeting, such director shall not exercise his voting rights on such issue nor can he exercise the voting rights as a proxy of other directors. Such board meeting may be held with attendance of a majority of the directors with no connected relationship. Resolutions resolved at such board meeting shall be passed by a majority of directors with no connected relation. Where the board meeting is attended by less than 3 directors with no connected relation, the issue shall be submitted to the General Meeting for consideration.”

**(37) One article be inserted after the original Article 119 and become the new Article 144 and hence shall be read as follows:**

“Article 144      Any director who fails to neither attend the board meeting in person nor appoint other directors to attend the meeting as his proxy for 2 consecutive meetings, such director shall be deemed to have failed to perform his duties and the Board of Directors shall propose in the General Meeting to replace such director.”

**(38) The 2nd paragraph of the original Article 133 be altered and hence shall be read as follows:**

“In the event the re-election of a supervisor does not take place on a timely basis upon expiry of the terms of office or a supervisor resigns during his term of office which results in the number of members of the supervisory committee falling below the statutory number, the original supervisor shall continue to perform his duty as a supervisor in accordance with the laws, administrative rules and the Articles of Association before a new supervisor is elected and assumes office.”

**(39) The original Article 134 be altered and hence shall be read as follows:**

“Original Article 134 There shall be a Supervisory Committee comprising of at least two representatives of the employees, two independent persons and the rest being representatives of the shareholders. Employees’ representatives shall be elected and removed by the employees through election while independent persons and shareholders’ representatives shall be elected and removed in the General Meeting.”

**(40) The original Article 136 be altered and hence shall be read as follows:**

“A Supervisory Committee meeting shall be held at least once every six months, to be convened by the Chairman of the Supervisory Committee. If the Chairman of the Supervisory Committee fails to or does not perform his duties, a supervisor collectively elected by a majority of supervisors shall convene and preside at the meeting of Supervisory Committee.”

**(41) Two (2) articles be inserted after the original Article 138 and become the new Article 164 and Article 165 and hence shall be read as follows:**

“Article 164 The Supervisory Committee shall prepare a minute to record decisions made on the issues discussed at the meeting. Such minute shall be signed by supervisors attending the meeting.

Supervisors shall have the right to request to make certain remarks in the minutes on what he said in the meeting.

Article 165 Supervisors shall ensure that any information disclosed by the Company is true, accurate and complete.”

**(42) The original Article 145 be altered and hence shall be read as follows:**

“Article 172 Directors, supervisors, general manager and other senior management staff of the Company, in the course of exercising their rights and performing their duties, shall act carefully, diligently and skillfully with reference to a reasonable and prudent man who would have behaved under similar circumstances, including but not limited to the following acts:

- (1) To carefully, prudently and diligently exercise the rights given by the Company so as to ensure that the Company’s commercial acts are in compliance with the laws, administrative regulations and requirements of various economic policies of the PRC and do not go beyond the scope of business as stated in the business licence;
- (2) To understand the operation and management of the Company’s business on a timely basis;

- (3) To sign the written confirmed opinions for regular reports of the Company and to ensure that information disclosed by the Company is true, accurate and complete;
- (4) To provide the status reports and information to the Supervisory Committee honestly and shall not hinder the Supervisory Committee or supervisors from exercising their powers;
- (5) Other duties and obligations on a diligent basis as prescribed by the laws, administrative regulations, department codes and the Articles of Association.”

**(43) The original Article 167 be altered and hence shall be read as follows:**

134 “Article 194 The Company shall announce four financial reports for each financial year, that is, an interim financial report to be published within 60 days at the end of the first 6 months of the financial year, an annual financial report to be published within 120 days at the end of the financial year, and 2 quarterly financial reports to be published within 30 days from the end of the first 3 months and first 9 months of the financial year respectively.”

**(44) A paragraph be inserted after the 2nd paragraph of the original Article 170 and become the 3rd paragraph and hence shall be read as follows:**

“Continued withdrawal is not necessary where the amount of the statutory reserves of the Company has accumulated to one over 50% of the registered capital of the Company.”

**(45) A paragraph be inserted after the 1st paragraph of the original Article 172 and shall become the 2nd paragraph and hence shall be read as follows:**

“Capital reserve shall not be used to cover the loss of the Company.”

**(46) A paragraph be inserted after the 1st paragraph of the original Article 175 and shall become the 2nd paragraph and hence the said 2nd paragraph shall be read as follows:**

“Company shares held by the Company shall not be included for profits appropriation.”

**(47) Save for the abovementioned amendments, other articles in the original Articles of Association and other clauses in the articles shall be sequentially renumbered.**

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 南京熊猫电子股份有限公司 Nanjing Panda Electronics Company Limited

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

(Stock Code: 0553)

**NOTICE IS HEREBY GIVEN** that the second extraordinary general meeting (“EGM”) of Nanjing Panda Electronics Company Limited (the “Company”) will be held at the Conference Room, Workers’ Union, 301 Zhong Shan Road East, Nanjing, the People’s Republic of China (the “PRC”) on Sunday, 31 December 2006, at 9:00a.m., to transact the following business:

1. To consider and approve by ordinary resolution the Agreement entered into between the Company and Panda Electronic Group Limited (as defined and described in the announcement dated 15 November 2006 of the Company concerning Transfer of Assets by Panda Electronic Group Limited to the Company for the Repayment of the Debt); and to authorize the directors of the Company to take all steps necessary or expedient in their opinion to implement and/or to give effect to the Agreement;
2. To consider and approve by special resolution the amendments to the Articles of Association.

By order of the board of the Company

**Li Anjian**

*Chairman*

15 November 2006

Nanjing, the People’s Republic of China

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) All shareholders of the Company whose names appear in the Company's register of members at the close of business on Friday, 1 December 2006, are entitled to attend the second EGM in 2006. Holders of A Shares of the Company whose names appear in register of member in the Shanghai branch of China Securities Depository and Clearing Corporation Limited at the close of business on 1 December 2006 can bring along with their identity cards or shareholder account cards to attend the EGM. Holders of A Shares or their proxies (if any) shall bring their identity cards, shareholder account cards and the proxy forms (if any) to complete the procedures for attending the EGM at the secretarial office of the Board of the Company at 301 Zhong Shan Road East, Nanjing at 9:00 a.m. to 4:00 p.m. from 1 December 2006 to 10 December 2006. Overseas shareholders can register by post or by fax.
- (2) All holders of H Shares of the Company should pay attention that the register of members of the Company will be closed from 1 December 2006 to 30 December 2006, both days inclusive, during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear in the Company's register of member at the close of business on 1 December 2006, or their representatives or proxies are entitled to attend the EGM with their identity certificates or passports. If a shareholder appoints a proxy to attend the EGM on his behalf, his proxy must bring along with the proxy form.
- (3) Shareholder who has the right to attend and vote at the EGM is entitled to appoint one proxy or several proxies, whether a member of the Company or not, to attend and vote at the EGM.
- (4) If more than one proxies are appointed, the rights of voting may only be exercised when a poll is taken.
- (5) The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorized in writing. In the case of a corporation, the proxy form must be under its common seal or under the hand of its director or duly authorized attorney. If the proxy form is signed by an agent on behalf of an appointer, the proxy form or other authority must be notarially certified. The proxy form together with the notarially certified power of attorney or other authority must be delivered to the office of the Company 24 hours before the time appointed for the holding of the EGM.
- (6) Shareholders who intend to attend the EGM should send a reply in writing to the office of the Company in person or by post, or by fax before 11 December 2006. The written reply shall not preclude the shareholders to attend the EGM.
- (7) The EGM is expected to last for a half day. Shareholders and their proxies attending the EGM are responsible for their own transportation and accommodation expenses.
- (8) For details of the Agreement, please refer to the announcements published in China Securities Journal, Shanghai Securities News, Ta Kung Pao and The Standard in Hong Kong on 16 November 2006.
- (9) The Company's office and correspondence address:

301 Zhong Shan Road East, Nanjing, the People's Republic of China  
Postal code : 210002  
Telephone : 8625-8480 1144  
Fax : 8625-8482 0729