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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 and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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 LAND USE RIGHTS**

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



粤海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of Nanjing Panda Electronics Company Limited (the "Company") is set out on pages 1 to 6 of this circular. A letter from the independent board committee containing its advice to the independent shareholders of the Company is set out on page 7 of this circular. A letter of advice from Guangdong Securities to the independent board committee and the independent shareholders of the Company is set out on pages 8 to 14 of this circular.

A notice convening an extraordinary general meeting of the Company shall be sent to the shareholders of the Company as soon as practicable. Whether or not you are able to attend the extraordinary general meeting, please complete and return the form of proxy, which will be dispatched together with the notice, in accordance with the instructions printed thereon to the office of the Company as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

28 August 2009

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DEFINITIONS

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

“Agreement”	the state-owned land use right transfer agreement dated 10 August 2009 entered into between Nanjing Huage and Nanjing Handa in respect of the Transfer
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Nanjing Panda Electronics Company Limited, a joint stock company incorporated in the PRC with limited liability
“Completion”	the completion of the Transfer
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB52,953,800 (approximately HK\$59,837,794) for the Transfer
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee comprising all independent non-executive Directors of the Company

DEFINITIONS

“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Transfer
“Independent Shareholders”	Shareholders other than Nanjing Handa, PEGL and their associates
“Land”	a piece of land of approximately 70,231.90 square meters located at No. 3 Lianhecun Road, Shimenkan, Baixia District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市白下區石門坎聯合村3號)
“Land Bureau”	the State-owned Land Resources Bureau of Nanjing City
“Latest Practicable Date”	28 August 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nanjing Handa”	Nanjing Panda Handa Technology Company Limited (南京熊貓漢達科技有限公司), a wholly-owned subsidiary of PEGL
“Nanjing Huage”	Nanjing Huage Appliance and Plastic Industrial Company Limited (南京華格電汽塑業有限公司), a wholly-owned subsidiary of the Company
“PEGL”	Panda Electronics Group Limited, the controlling shareholder of the Company holding approximately 51.10% of the issued share capital of the Company as at the Latest Practicable Date
“PRC”	the People’s Republic of China
“PRC Lawyer”	Jiangsu FD Yongheng Law Firm

DEFINITIONS

“PRC Legal Opinion”	the legal opinion on the Land dated 4 August 2009 prepared by PRC Lawyer
“Property”	a parcel of industrial land with Lot No. 131060960021 located in Nanjing Economic and Technological Development Zone, Qixia District, Nanjing City, Jiangsu Province, the PRC and with not less than four factory buildings constructed thereon
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer of the land use rights pertaining to the Land from Nanjing Huage to Nanjing Handa pursuant to the terms and conditions of the Agreement
“Valuation Report”	a report on the valuation of the Land dated 28 August 2009 prepared by the Valuer
“Valuer”	Vigers Appraisal & Consulting Limited, a firm of professional valuers independent of the Company and its associates
“%”	Percentage

In this circular, RMB has been converted to HK\$ at the rate of RMB1.00 = HK\$1.13 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates.

The English names of the PRC established companies/entities in this circular are only translation of their official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD



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 Director

Li Anjian (*Chairman*)

Non-executive Directors

Mr. Xu Guofei (*Vice Chairman*)

Ms. Liu Ailian

Mr. Zhu Lifeng

Mr. Shi Qiusheng

Mr. Lu Qing

Independent Non-executive Directors

Mr. Cai Lianglin

Mr. Ma Chung Lai, Lawrence

Mr. Tang Yousong

Registered Address:

Level 1-2

Block 5, North Wing

Nanjing High and New

Technology Development Zone

Nanjing

the PRC

Office Address:

301 Zhongshan Road East

Nanjing

the PRC

Postal Code: 210002

28 August 2009

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION TRANSFER OF LAND USE RIGHTS

INTRODUCTION

Reference is made to the announcement issued by the Company dated 10 August 2009 in relation to the Transfer.

On 10 August 2009, Nanjing Huage, a wholly-owned subsidiary of the Company, entered into the Agreement with Nanjing Handa on 10 August 2009, pursuant to which Nanjing Huage agreed to transfer the land use rights pertaining to the Land and Nanjing Handa agreed to accept such transfer at the Consideration of RMB52,953,800 (approximately HK\$59,837,794), which will be settled in cash.

LETTER FROM THE BOARD

Nanjing Handa is a wholly-owned subsidiary of PEGL, which is the controlling shareholder of the Company holding approximately 51.10% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Nanjing Handa is a connected person of the Company, and the Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement is subject to the requirements of reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Nanjing Handa, PEGL and any Shareholders who have material interests in the Transfer are required to abstain from voting on the relevant resolution to approve the Agreement in the EGM.

The purpose of this circular is to provide you with (i) further details of the Transfer; (ii) a letter from the Independent Board Committee with its recommendation on the Transfer to the Independent Shareholders; (iii) a letter from Guangdong Securities containing its advice on the Transfer to the Independent Board Committee and the Independent Shareholders on the Transfer; and (iv) other information as required by the Listing Rules.

THE AGREEMENT

Date

10 August 2009

Parties

Transferor: Nanjing Huage

Transferee: Nanjing Handa

Nanjing Huage is a wholly-owned subsidiary of the Company. Nanjing Handa is a wholly-owned subsidiary of PEGL, which is the controlling shareholder of the Company holding approximately 51.10% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Nanjing Handa is a connected person of the Company under Chapter 14A of the Listing Rules.

The Land

The Land is a piece of land of approximately 70,231.90 square meters located at No. 3 Lianhecun Road, Shimenkan, Baixia District, Nanjing City, Jiangsu Province, the PRC. The land use rights pertaining to the Land was acquired by Nanjing Huage from the Land Bureau in June 2007 for industrial use, for a term of 50 years commencing from 20 June 2007, at a consideration of RMB28,092,760 (approximately HK\$31,744,818).

LETTER FROM THE BOARD

Nanjing Huage has obtained the state-owned land use rights certificate of the Land for a term of 50 years until 19 June 2057. The Land is currently occupied by Nanjing Huage for industrial use and for its self-use. According to the PRC Legal Opinion, Nanjing Huage has the right to transfer the land use rights of the Land free from any mortgages, legal charges, order and other encumbrances.

Pursuant to the Agreement, Nanjing Huage agreed to transfer the land use rights pertaining to the Land and Nanjing Handa agreed to accept such transfer at the Consideration.

Completion

Completion is conditional upon fulfillment of the following conditions:

1. the parties having attended the Land and Mineral Management Office of Nanjing City and filed an application to the Land Bureau for the transfer of the state-owned land use rights within 30 days of the signing of the Agreement; and
2. all registration and transfer procedures relating to the Agreement having been completed.

Consideration and payment terms

The aggregate amount payable by Nanjing Handa to Nanjing Huage under the Agreement shall be RMB52,953,800 (approximately HK\$59,837,794) which shall be paid in the following manner:

1. RMB21,000,000 (approximately HK\$23,730,000), representing 39.66% of the Consideration, will be paid in cash within 5 days of the signing of the Agreement, and
2. RMB31,953,800 (approximately HK\$36,107,794), representing 60.34% of the Consideration, will be paid in cash within 5 days upon Completion.

The Consideration was determined after arm's length commercial negotiations between the parties and with reference to the Valuation Report prepared by the Valuer, a firm of professional valuers independent of and not connected with Nanjing Huage, the Company and their associates. According to the latest Valuation Report, the Valuer assessed the market value of the Land as being RMB52,000,000 (approximately HK\$59,090,000) at 30 June 2009. The valuation letter and valuation certificate prepared by the Valuer are included in Appendix I to this circular.

LETTER FROM THE BOARD

The Land has been used by Nanjing Huage as its production and operation facilities, and hence the Land did not generate any revenue or profits to the Group for the years ended 31 December 2007 and 2008. According to the audited accounts of Nanjing Huage as at 31 December 2008, the book value of the Land amounted to RMB37,104,896 (approximately HK\$41,928,532). The land use rights pertaining to the Land was classified under “intangible assets” in Nanjing Huage’s latest audited accounts.

The proceeds arising from the Transfer will be used as general working capital of the Group.

FINANCIAL EFFECTS OF THE TRANSFER

Upon Completion, it is estimated that Nanjing Huage will record an unaudited gain before taxation of approximately RMB15,848,904 (approximately HK\$17,909,262). Hence, the earnings of the Group will increase as a result of the Transfer and the consolidation of the financial statements of Nanjing Huage, which is a wholly-owned subsidiary of the Company. The Directors are of the view that the Transfer will have no immediate material financial effect on the Company.

REASONS FOR AND BENEFITS OF THE TRANSFER

Since the Company’s acquisition of the Property in 2008 (please refer to the Company’s announcement dated 7 November 2008 and circular dated 14 November 2008 for details), the Group had plans to integrate its major operations on the Property, thereby centralizing the management and operation of its subsidiaries and achieving cost reduction. After the Transfer (which will take place upon all registration, transfer and legal procedures relating to the Agreement have been completed), Nanjing Huage will be relocated to the Property, which comprises a parcel of industrial land with a site area of approximately 129,197.50 square meters and with not less than four factory buildings constructed thereon. The Property is situated in the Nanjing Economic and Technological Development Zone. It is expected that the Property can accommodate all production facilities of Nanjing Huage. After the relocation and the completion of change of registered address of Nanjing Huage, Nanjing Huage can enjoy the preferential tax treatment in the development zone. Further, as many of the customers of Nanjing Huage are located in the development zone, Nanjing Huage can reduce transportation costs and overall production costs.

As a result of the Transfer, an unaudited gain before taxation of approximately RMB15,848,904 (approximately HK\$17,909,262) is expected to be accrued to the Group. The Directors (including the independent non-executive Directors), having taken into account the Valuation Report, the current market conditions and the objective to maximize the profits of the Group, are of the view that it would be more cost effective for Nanjing Huage to transfer the land use rights of the Land and thereafter to relocate to the Property.

Based on the reasons above, the Directors (including the independent non-executive Directors) believe that the Transfer is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Group is principally engaged in the development, manufacture and sale of satellite products, electromechanical instrument products, electronic information products, and electronic manufacturing business.

Nanjing Huage is principally engaged in the production and sale of plastic products and accessories.

Nanjing Handa is principally engaged in the development, manufacture, sale and technical services of communication and transmission facilities, and radar equipment and accessories.

IMPLICATIONS OF THE LISTING RULES

Nanjing Handa is a wholly-owned subsidiary of PEGL, which is the controlling shareholder of the Company holding approximately 51.10% of the total issued share capital of the Company as at the Latest Practicable Date. Therefore, Nanjing Handa is a connected person of the Company, and the Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement is subject to the requirements of reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Nanjing Handa, PEGL and any Shareholders who have material interests in the Transfer are required to abstain from voting on the relevant resolution to approve the Agreement in the EGM.

The Independent Board Committee comprising Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence and Mr. Tang Yousong has been formed to advise the Independent Shareholders on the fairness and reasonableness of the Transfer. Guangdong Securities has been appointed as the Independent Financial Adviser to provide its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Transfer.

EGM

The EGM is to be held for the purposes of, among other matters, considering and, if thought fit, approving the Agreement. Votes taken at the EGM for the approval of the Agreement by the Independent Shareholders shall be taken by way of poll. As at the Latest Practicable Date, PEGL is holding approximately 51.10% of the total issued share capital of the Company. Mr. Xu Guofei (non-executive Director), Mr. Zhu Lifeng (non-executive Director), Mr. Shi Qiusheng (non-executive Director) and Ms. Zhang Zhengping (a supervisor of the Company), who hold an aggregate of approximately 0.00268% of the total issued share capital of the Company, are connected persons of the Company. Mr. Xu Guofei, Mr. Zhu Lifeng and Ms. Zhang Zhengping also hold offices in PEGL as disclosed in Appendix II to this circular. Therefore, PEGL and its associates, Mr. Xu Guofei, Mr. Zhu Lifeng, Mr. Shi Qiusheng and Ms. Zhang Zhengping will be required to abstain from voting in respect of the resolution approving the Agreement. Save as disclosed above, no other associate of PEGL holds any shares in the Company and will be required to abstain from voting in respect of the resolution approving the Agreement.

As the date of the EGM has not been fixed, a notice convening the EGM will be sent to the Shareholders as soon as practicable subsequent to the dispatch of this circular.

LETTER FROM THE BOARD

A form of proxy for use in connection with the EGM will be sent to the Shareholders together with the notice of EGM after the dispatch of this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy upon receipt in accordance with the instructions printed thereon and return the same to the office of the Company as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Agreement are fair and reasonable and on normal commercial terms and the Transfer is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

As mentioned before, Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Transfer. Having considered the advice given by Guangdong Securities and the principal factors and reasons taken into consideration by it in arriving at its advice, the Independent Board Committee is of the opinion that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and are on normal commercial terms. Accordingly the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (ii) the letter from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the information set out in the appendices to this circular as required under the Listing Rules.

By Order of the Board
Nanjing Panda Electronics Company Limited
Li Anjian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which has been prepared for the purpose of inclusion 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)

28 August 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION TRANSFER OF LAND USE RIGHTS

We have been appointed as members of the Independent Board Committee to advise you in connection with the Agreement, details of which are set out in the Letter from the Board contained in the circular dated 28 August 2009 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

Your attention is drawn to the Letter from Guangdong Securities in respect of its advice on the Agreement as set out on pages 8 to 14 of the Circular. Having considered the advice given by Guangdong Securities and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Agreement are fair and reasonable and the Transfer is in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Cai Lianglin Mr. Ma Chung Lai, Lawrence Mr. Tang Yousong

Independent Non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transfer for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

28 August 2009

*To: The independent board committee and the independent shareholders
of Nanjing Panda Electronic Co. Ltd.*

Dear Sirs,

CONNECTED TRANSACTION TRANSFER OF LAND USE RIGHTS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 August 2009 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 August 2009, Nanjing Huage, a wholly-owned subsidiary of the Company, entered into the Agreement with Nanjing Handa, a wholly-owned subsidiary of PEGL (being the controlling shareholder of the Company), pursuant to which Nanjing Huage agreed to transfer the land use rights pertaining to the Land to Nanjing Handa at the cash Consideration of RMB52,953,800 (equivalent to approximately HK\$59,837,794).

As referred to in the Board Letter and just mentioned, Nanjing Handa is a wholly-owned subsidiary of PEGL which is the controlling shareholder of the Company, Nanjing Handa is therefore considered to be a connected person of the Company. In addition, Mr. Xu Guofei (a non-executive Director), Mr. Zhu Lifeng (a non-executive Director), Mr. Shi Qiusheng (a non-executive Director) and Ms. Zhang Zhengping (a supervisor of the Company), who hold an aggregate of approximately 0.00268% of the total issued share capital of the Company, are also considered to be connected persons of the Company. As disclosed in Appendix II to the Circular, Mr. Xu Guofei, Mr. Zhu Lifeng and Ms. Zhang Zhengping hold offices in PEGL. The Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the transactions

LETTER FROM GUANGDONG SECURITIES

contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. As stated in the Board Letter, Nanjing Handa, PEGL and its associates, Mr. Xu Guofei, Mr. Zhu Lifeng, Mr. Shi Qiusheng, Ms. Zhang Zhengping are required to abstain from voting on the relevant resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, no other associate of PEGL holds any Shares and is required to abstain from voting in respect of the resolution(s) approving the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Cai Lianglin, Mr. Ma Chung Lai, Lawrence and Mr. Tang Yousong (all being the independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Transfer is in the interests of the Company and the Shareholders as a whole. We, Guangdong Securities Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM GUANGDONG SECURITIES

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Nanjing Huage, Nanjing Handa, PEGL or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transfer. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transfer, we have taken into consideration the following principal factors and reasons:

(1) Background of the Transfer

The Agreement

On 10 August 2009, Nanjing Huage, a wholly-owned subsidiary of the Company, entered into the Agreement with Nanjing Handa, a wholly-owned subsidiary of PEGL (being the controlling shareholder of the Company), pursuant to which Nanjing Huage agreed to transfer the land use rights pertaining to the Land to Nanjing Handa at the cash Consideration of RMB52,953,800 (equivalent to approximately HK\$59,837,794).

The Directors advised that the terms of the Agreement were negotiated and entered into on arm's length basis between Nanjing Huage and Nanjing Handa and the Directors are of the view that the terms and conditions of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Information on the Group

The Group is principally engaged in the development, manufacture and sale of satellite products, electromechanical instrument products, electronic information products, and the electronic manufacturing business.

LETTER FROM GUANGDONG SECURITIES

Information on the Land

As extracted from the Board Letter, the Land is situated at No. 3 Lianhecun Road, Shimenkan, Baixia District, Nanjing City, Jiangsu Province, the PRC (中國江蘇省南京市白下區石門坎聯合村3號) and occupies approximately 70,231.90 square meters. The Land is currently used by Nanjing Huage for its production and operation facilities.

Based on the state-owned land use right certificate (國有土地使用證) (Document No.: Ningbai Guo Yong (2007) No. 11873) registered on 28 September 2007, Nanjing Huage has the right to use the Land for a term of 50 years expiring on 19 June 2057 for industrial purpose. In addition, according to the PRC legal opinion, Nanjing Huage has the right to transfer the land use rights of the Land free from any mortgages, legal charges, order and other encumbrances.

From the Board Letter, we noted that the book value of the Land which was amounted to RMB37,104,896 (equivalent to approximately HK\$41,928,532) had been recorded in the audited accounts of Nanjing Huage as at 31 December 2008 under the classification of intangible assets. Nevertheless, the Land did not generate any revenue or profits to the Group during the 2007 and 2008 financial years.

With reference to the Valuation Report, the value of the land use right of the Land as assessed by the Valuer was RMB52,000,000 (equivalent to approximately HK\$59,090,000) as at 30 June 2009. Further information on the Valuation Report is contained under the section headed “The Consideration” of this letter.

LETTER FROM GUANGDONG SECURITIES

(2) Reasons for the Transfer

According to the announcement and circular of the Company dated 7 November 2008 and 14 November 2008 respectively, the Company entered into an agreement with PEGL and Nanjing Panda Electronics Import and Export Company regarding the acquisition of the entire interest in Nanjing Panda Technology Industrial Co., Ltd., together with the Property (the “**Acquisition**”). The Company confirmed that the Acquisition has been completed.

As stated in the Board Letter, the Property is situated in the Nanjing Economic and Technological Development Zone, Nanjing City, the PRC (the “**Zone**”) and comprises a parcel of industrial land with a site area of approximately 129,197.50 square meters and with not less than four factory buildings constructed thereon for industrial use. Upon completion of the Acquisition and the Transfer, the Company will relocate the major operation of Nanjing Huage to the Property (the “**Relocation**”). With reference also to the Board Letter, the Company intends to centralise the management and operation of its subsidiaries such as the research and development centre and production premises in the same location which may achieve cost reduction and improve operation efficiency. As many of the customers of Nanjing Huage are located in the Zone, the Directors also expect that Nanjing Huage could be able to reduce transportation costs and overall production costs after the Relocation. Moreover, when the change of registered address of Nanjing Huage is completed after the Relocation, Nanjing Huage can enjoy the preferential tax treatment in the Zone.

We have discussed with the management of the Company regarding the aforesaid possible benefits of the Relocation. As advised by the Directors, besides Nanjing Huage, the Group plans to relocate several other major subsidiaries of the Company to the Property. In addition, the Directors represented that Nanjing Sharp Electronics Co., Ltd. (南京夏普電子有限公司), being a major customer of Nanjing Huage, is also located in the Zone. Based on our search from the website of the Zone (<http://www.njxg.com/www/njxg/ckjg3.htm>), we understand that enterprises which are located in the Zone are entitled to preferential tax treatment.

The Directors confirmed that the Company has decided on the Relocation given the aforementioned benefits. For this reason, the Directors proposed the Transfer in order to provide cash inflow to the Group and thereby improving the flexibility of the Group’s working capital.

Taking into account the reasons for the Transfer as outlined above, we are of the view that the rationale of the Transfer is justifiable and the Transfer is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

(3) Principal terms of the Agreement

The Consideration

Pursuant to the Agreement, the Consideration of RMB52,953,800 (equivalent to approximately HK\$59,837,794) shall be paid in the following manner:

- (i) RMB21,000,000 (equivalent to approximately HK\$23,730,000) shall be payable within five days upon signing of the Agreement; and
- (ii) RMB31,953,800 (equivalent to approximately HK\$36,107,794) shall be payable within five days upon Completion.

The Directors advised that the Consideration was arrived at after arm's length negotiations between Nanjing Huage and Nanjing Handa with reference to the valuation of the land use right of the Land of RMB52,000,000 (equivalent to approximately HK\$59,090,000) as at 30 June 2009 based on the Valuation Report.

In assessing the fairness and reasonableness of the Consideration, we have reviewed and enquired into the Valuer regarding the methodology of, and basis and assumptions adopted for the valuation of the land use right of the Land (the “**Valuation**”).

We understand from the Valuer that it has adopted the market approach for the Valuation. According to the Valuer, the market approach is commonly adopted for valuation of land use right in the PRC and it is also consistent with normal market practice. During the course of our discussion with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation.

In light of that the Valuation was fairly and reasonably assessed by the Valuer and the Consideration was determined based on the Valuation and it represents a premium of approximately 1.83% over the Valuation, we concur with the Directors that the Consideration is acceptable and is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Agreement

We have also reviewed the other major terms of the Agreement and are not aware of any terms which are unusual. Based on the above, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GUANGDONG SECURITIES

(4) Possible financial effects of the Transfer

As extracted from the Board Letter, as a result of the Transfer, an unaudited gain before taxation of approximately RMB15,848,904 (equivalent to approximately HK\$17,909,262) is expected to be accrued to the Group.

As confirmed by the Directors, the Company intends to apply the proceeds from the Transfer as general working capital of the Group. As such, the Group's working capital would be enlarged upon Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon Completion.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Transfer is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

The following is the texts of letter and valuation certificates, prepared for the purpose of incorporation in this circular, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 30th June 2009 for the property interest to be held by the Group in the People's Republic of China.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



28th August 2009

The Directors
Nanjing Panda Electronics Company Limited
301 Zhongshan Road East
Nanjing City, Jiangsu Province,
The People's Republic of China

Dear Sirs,

In accordance with your instructions for us to value the property interests to be held by Nanjing Panda Electronics Company Limited (the "Company") and its subsidiaries (the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 30th June, 2009 ("date of valuation") for the purpose of incorporation into this circular.

Our valuation is our opinion of the market value of the property interest which we would define market value 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 the property interest where is located in the PRC, we have adopted direct comparison approach in assessing the market value of the property. In arriving of our valuation, reference has been made to the standard land price in Nanjing City and the sales evidence as available to us in the locality.

In valuing the property interest, the buildings and structures erected thereon were excluded. We have assumed the occupancy status, planning and construction and the maintenance of these buildings and structures would not affect the market value of the subject property.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use, occupy or assign the property interest for the whole of the unexpired term of the respective land use rights. Furthermore, we have also assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interest were granted without any onerous conditions or undue delay.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. 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 for the property interests, we have relied on the legal opinion (“the PRC legal opinion”) provided by the Company’s PRC legal adviser, Jiangsu FD Yongheng Law Firm.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have also been advised by the Group 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 Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior of the property, however, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, therefore, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

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.

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

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the RICS Appraisal and Valuation Standards (6th Edition 2007) published by the Royal Institution of Chartered Surveyors (the “RICS”) and the requirements set out in Chapter 5 and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all monetary amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property in the PRC as at 30th June 2009 was HK\$1=RMB0.88. There has been no significant fluctuation in the exchange rates for RMB against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith our valuation certificate.

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

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty three years' experiences in undertaking valuations of properties in Hong Kong and has over sixteen years' experiences in valuations of properties in the PRC. Raymond has jointed Vigers since 1989.

VALUATION CERTIFICATE

Property interest to be held for owner occupation by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing state as at 30th June 2009
A parcel of land located at No. 3 Lianhecun Road, Shimenkan, Baixia District, Nanjing City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 70,231.9 sq.m. The land use rights of the property were granted for a term expiring on 19th June 2057 for industrial use.	There are various buildings and structures erected thereon the property and occupied by Nanjing Huage Appliance and Plastic Industrial Company Limited for industrial and ancillary uses.	RMB 52,000,000 (equivalent to approximately HK\$59,090,000)

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: Ning Guo Tu Zi Rang Ge (2007) No. 219) dated 29th June 2007 entered into between the State-owned Land Resources Bureau of Nanjing City (Party A) and Nanjing Huage Appliance and Plastic Industrial Company Limited (Party B), the land use rights of the property with a site area of approximately 70,231.9 sq.m. were granted from Party A to Party B for a term of 50 years commencing from 20th June 2007 for industrial use at a consideration of RMB 28,092,760.
- According to a State-owned Land Use Rights Certificate (Document No.: Ning Bai Guo Yong (2007) No. 11873), the land use rights of the property with a site area of approximately 70,231.9 sq.m. were granted to Nanjing Huage Appliance and Plastic Industrial Company Limited for a term expiring on 19th June 2057 for industrial use.
- According to the information provided by the Group, Nanjing Huage Appliance and Plastic Industrial Company Limited is a wholly-owned subsidiary of the Company.
- According to the information provided by the Group, Nanjing Panda Electronics Company Limited is a joint stock Company incorporated in the PRC with limited liability.
- In arriving of our valuation, we have been provided with the PRC Legal Opinion dated 4th August 2009 issued by the Group's PRC Legal Adviser, Jiangsu FD Yongheng Law Firm, inter alia, as follows:
 - Nanjing Huage Appliance and Plastic Industrial Company Limited is the current registered owner of the land use rights of the property, which is entitled to transfer the property in the market; and
 - The property is free from any mortgages, charges and other legal encumbrances which may cause adverse effect on the ownership of the property.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the domestic shares of the Company:

Name of Director	Duties	Capacity	Nature of interests	No. of domestic shares held (Long position)	Percentage of share capital in issue (%)
Xu Guofei	Non-executive Director	Beneficial owner	Personal	2,546	0.00039
Zhu Lifeng	Non-executive Director	Beneficial owner	Personal	4,378	0.00067
Shi Qiusheng	Non-executive Director	Beneficial owner	Personal	5,940	0.00091
Zhang Zhengping	Chairman of Supervisor Committee	Beneficial owner	Personal	4,648	0.00071

(B) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executive of the Company, the interests or short positions of the persons (not being a Director or supervisor or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Interests in the shares of the Company

Name of Shareholder	Capacity/nature of interests	Class/ no. of shares interested (long position)	Approximate percentage in the relevant class of shares in issue	Approximate percentage in the total shares in issue
PEGL	Corporate interests held in the capacity of beneficial owner	334,715,000 domestic shares	81.04%	51.10%
Lewis Joseph	Personal interests held in the capacity of beneficial owner	20,260,000 H shares	8.37%	3.10%
Tuesday Thirteen Inc.	Corporate interests held in the capacity of beneficial owner	16,920,000 H shares	7.00%	2.59%

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors are holding offices as directors or employees in PEG, the substantial shareholder of the Company as shown above:

Name of Director/ Supervisor	Position held in PEG
Xu Guofei	General Manager
Zhu Lifeng	Deputy General Manager
Lu Qing	Deputy General Manager
Zhang Zhengping	Deputy Secretary to Party Committee

(ii) *Interests in non-wholly owned subsidiaries of the Company*

Name of non-wholly owned subsidiaries of the Company	Name of shareholders interested in 10% or more of the subsidiaries of the Company	Approximate percentage of interest held by that shareholder
Nanjing Panda Accurate Machinery Co., Ltd. (南京熊猫精機有限公司)	Corporate legal person of Nanjing Panda Accurate Machinery Co., Ltd. (南京熊猫精機有限公司社團法人)	30% (L)
Nanjing Panda Information Industry Co., Ltd. (南京熊猫信息產業有限公司)	GALANT (HK) LIMITED (佳恆興業(香港)有限公司)	28% (L)
Nanjing Panda International Telecommunication System Co. Ltd. (南京熊猫國際通信有限公司)	Hong Kong Shun Sing Development Co., Ltd. (香港信成實業發展有限公司)	28.23% (L)
Nanjing Panda Electronics Manufacturing Co., Ltd. (南京熊猫電子製造有限公司)	GALANT (HK) LIMITED (佳恆興業(香港)有限公司)	25% (L)
Nanjing Panda System Integration Co., Ltd. (南京熊猫系統集成有限公司)	Liu Changhua (劉昌華)	10.90% (L)
Nanjing Panda Power Supply Technology Manufacture Co., Ltd. (南京熊猫電源科技有限公司)	Ye Qingrong (葉慶榮)	11.45% (L)

(L) denotes long position

Save as disclosed above, the Directors, supervisors and chief executive of the Company are not aware that there is any person (other than a Director, supervisor or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of the Group or any options in respect of such capital.

3. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far was known to the Directors, none of the Directors or their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2008 (being the date to which the latest published audited accounts of the Group were made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest published audited accounts of the Group were made up).

8. EXPERTS AND CONSENTS

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

Name	Qualifications
Guangdong Securities Limited	A licensed corporation registered under the SFO to carry type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
Vigers Appraisal & Consulting Limited	Qualified Property Valuer
Jiangsu FD Yongheng Law Firm	Legal advisor on the PRC law

As at the Latest Practicable Date, each of the Independent Financial Adviser, the Valuer, and the PRC Lawyer did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for securities in any member of the Group nor did it have any direct or indirect interests in any assets which had been, since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, each of the Independent Financial Adviser, the Valuer, and the PRC Lawyer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 301 Zhongshan Road East, Nanjing, Jiangsu Province, the PRC and the Company's solicitors at 23rd Floor, Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong, during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 17 September 2009:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from Guangdong Securities, the text of which is set out in this circular;
- (d) the Valuation Report issued by the Valuer;
- (e) the PRC Legal Opinion issued by the PRC Lawyer; and
- (f) the written consents referred to in the section headed "Experts and Consents" in this Appendix.

10. GENERAL

- (a) The registered office of the Company is situated at Level 1-2, Block 5, North Wing, Nanjing High and New Technology Development Zone, Nanjing, Jiangsu Province, the PRC.
- (b) The principal place of business of the Company is at 301 Zhongshan Road East, Nanjing, Jiangsu Province, the PRC.
- (c) The company secretary of the Company is Mr. Shi Qiusheng, who is a senior economist with extensive experience in corporate management. Mr. Shen Jianlong is the Chief Accountant and Secretary to the Board of the Company.
- (d) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.