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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 adviser.

If you have sold or transferred all your shares in **Nanjing Panda Electronics Company Limited**, you should at once hand this circular and the 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 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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00553)

**PROPOSED MANDATE IN RELATION TO THE POSSIBLE MAJOR TRANSACTION
THROUGH PUBLIC TENDER
AND
NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING**

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 1 to 11 of this circular. A notice of the EGM to be held on Wednesday, 30 July 2025 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China is set out on page EGM-1 to EGM-2. Whether or not you are able to attend and vote at the EGM, please complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the office of the Company as soon as possible and in any event not less than 24 hours before the time of the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

14 July 2025

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DEFINITIONS

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

“Asset Transaction Agreement”	asset transaction agreement (產權交易合同) to be entered by the Company and the Other ENC Vendors with the successful bidder of the Public Tender in respect of the Proposed Disposal, according to the rules and regulations of SUAEE;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“CEC”	China Electronics Corporation (中國電子信息產業集團有限公司), the de facto controller of the Company;
“Company”	Nanjing Panda Electronics Company Limited (南京熊貓電子股份有限公司), a joint stock company incorporated in the PRC with limited liability;
“Directors”	the directors of the Company;
“Disposal Interest”	27% of the equity interest in ENC, which is the subject to be disposed in the Proposed Disposal;
“EGM”	the 2025 first extraordinary general meeting of the Company to be convened and held on Wednesday, 30 July 2025 at 2:30 p.m. to consider and approve, among other matters, the Proposed Mandate;
“ENC”	Nanjing Ericsson Panda Communication Co., Ltd., a company established in the PRC with limited liability and is held as to 27% by the Company as at the Latest Practicable Date;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected person(s) as defined in the Listing Rules;
“Initial Bidding Price”	the opening price to be quoted at the public tender for the Proposed Disposal, being approximately RMB516.51 million;

DEFINITIONS

“Latest Practicable Date”	8 July 2025, 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, as amended from time to time;
“Minimum Consideration”	the minimum consideration to be received by the Company for the Proposed Disposal, being approximately RMB256.15 million;
“Other ENC Vendors”	CETC Asset Management Co., Ltd. and Yung Shing Enterprise, Hong Kong;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
“Proposed Disposal”	the proposed disposal of 27% equity interest in ENC held by the Company in the Public Tender;
“Proposed Mandate”	the general mandate to be granted in advance to the Directors to enter into and complete the Proposed Disposal by the Shareholders at the EGM;
“Public Tender”	the proposed public tender for disposal of 49% equity interest in ENC held by the Company and the Other ENC Vendors through SUAEE;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council;
“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;
“SUAEE”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所有限公司);

DEFINITIONS

“Total Consideration” the final bid price with respect to the Proposed Disposal offered by the successful bidder for the 49% equity interest in ENC; and

“%” per cent.

LETTER FROM THE BOARD

南京熊猫电子股份有限公司
NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

Executive Directors

Mr. Xia Dechuan (*Chairman*)

Mr. Hu Huichun

Registered Address:

7 Jingtian Road

Nanjing, the PRC

Non-executive Directors

Mr. Liu Jianfeng

Mr. Hu Jin

Mr. Yi Guofu

Mr. Lv Song

Office Address:

7 Jingtian Road

Nanjing, the PRC

Postal Code: 210033

Independent non-executive Directors

Mr. Dai Keqin

Ms. Xiong Yanren

Mr. Chu Wai Tsun, Baggio

14 July 2025

To the Shareholders

Dear Sir or Madam,

**PROPOSED MANDATE IN RELATION TO THE POSSIBLE MAJOR TRANSACTION
THROUGH PUBLIC TENDER**

AND

NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 19 June 2025 in relation to the Proposed Mandate relating to the Proposed Disposal through the Public Tender. This matter is subject to the approval of Shareholders at the EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details on the Proposed Mandate relating to the Proposed Disposal through the Public Tender; (ii) financial information of the Group; and (iii) other information required to be disclosed under the Listing Rules.

II. POSSIBLE MAJOR TRANSACTION

1. PROPOSED DISPOSAL

Reference is made to the announcement of the Company dated 27 March 2025, which disclosed that, among others, the Chinese shareholders of ENC, including the Company, received a written communication from Ericsson confirming, among other things, Ericsson proposes to purchase the 49% equity stake in ENC held by the Company and other Chinese shareholders of ENC, subject to necessary approvals and the outcome of discussions between the parties on the detailed terms of a transaction.

On 19 June 2025, the Board has resolved to dispose of the Disposal Interest, being 27% equity interest in ENC held by the Company, by way of a public tender through SUAEE. The Disposal Interest will be listed for public tender together with 22% equity interest in ENC held by the Other ENC Vendors. Following the Proposed Disposal, the Company will cease to hold any interest in ENC.

Based on preliminary communication with Ericsson, Ericsson has indicated interest to participate in the Public Tender.

Basis of Consideration and Payment Terms

The Initial Bidding Price (i.e. the opening price to be quoted at the Public Tender) for the disposal of 49% equity interest in ENC will be approximately RMB516.51 million, and the Company is entitled to the portion of approximately RMB284.61 million. If no qualified bidder is recorded within the initial publication period, pursuant to the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (《企業國有資產交易監督管理辦法》), Operating Rules for Corporate State-Owned Assets Transactions (《企業國有資產交易操作規則》) and other relevant PRC laws and regulations, the bidding price can be reduced to an amount not less than 90% of the Initial Bidding Price for an extended publication period. Accordingly, the final bidding price will in any event be no less than approximately RMB464.86 million, and the Company is entitled to the portion of approximately RMB256.15 million (i.e. the Minimum Consideration). The final consideration for the Proposed Disposal to be received by the Company, will depend on the final bid price offered by the successful bidder, but in any event will be no less than the Minimum Consideration.

LETTER FROM THE BOARD

The Initial Bidding Price of approximately RMB516.51 million for the disposal of 49% equity interest in ENC was determined based on the valuation conclusion on ENC as at 31 December 2024 arrived at by an independent valuer, Beijing Zhongtianhua Asset Appraisal Co., Ltd., (the “**Independent Valuer**”) in a valuation report using the market approach (the “**Valuation**”). Based on the Valuation, the value of the 100% shareholder equity interest of ENC as at 31 December 2024 is estimated to be approximately RMB1,054.10 million. Details of the Valuation will be disclosed in the circular of the EGM to be despatched. As such, the Directors are of the view that the Initial Bidding Price and the Minimum Consideration are fair and reasonable and in the interest of the Company and its Shareholders.

The Board is of the view that the valuation methodology adopted by the independent valuer in the Valuation is fair and reasonable, considering that (i) the Independent Valuer is a qualified independent valuer in the PRC with extensive experience in conducting assets appraisal; (ii) due to ENC being a foreign-controlled entity, there are differences in accounting and management compared to domestic companies. Key documents for cost accounting, such as property and building assets, planning drawings, engineering contracts, payment vouchers, and completion settlement materials, are incomplete. The existing records only retain simplified accounting information, making it impossible to accurately reconstruct the entire cost process of asset construction. As a result, the asset-based approach for valuation could not be adopted. Therefore, the market approach and income approach were used to value the total equity of ENC’s shareholders; (iii) the Board learned from the Independent Valuer that the valuation result of the market approach was finally adopted since the market approach is a valuation method that analyses the comprehensive impact of the capital market on equity value as of the benchmark date. It fully considers the market attributes of the current transaction. The valuation conclusion is derived from analysing the market operating environment and the actual operating conditions of ENC, which more accurately reflects the total equity value of ENC’s shareholders; (iv) the Board fully understood the assumptions used in the valuation process, including the going concern assumption and the stable market environment assumption, as well as the special assumption regarding the recovery of the remaining special tax adjustment amounts at a rate of 40%.

The Initial Bidding Price (i) represents a premium of approximately 3.22% to the unaudited net asset value of the 49% equity interest in ENC as at 31 December 2024 of approximately RMB500.41 million; and (ii) equals to 49% of the Valuation of the entire shareholder equity interest of ENC as at 31 December 2024 of approximately RMB1,054.10 million.

LETTER FROM THE BOARD

The potential bidders for the Public Tender shall pay an amount equivalent to no greater than 20% of the minimum consideration for the Public Tender to a designated account as deposit. Any deposit paid by the successful bidder shall be deemed to be part payment of the final consideration for the Public Tender. The full amount of the deposit shall be returned to the other bidders after the identity of the successful bidder be confirmed by SUAEE. The final consideration for the Public Tender shall be paid pursuant to the terms of the Asset Transaction Agreement to be executed by the Company and the Other ENC Vendors with the successful bidder after the identity of the successful bidder is confirmed.

Completion of the Proposed Disposal shall only take place after the Total Consideration has been settled in full by the successful bidder.

Procedures of the Public Tender

The Public Tender will be carried out through SUAEE. SUAEE is a comprehensive equity exchange service institution approved by the Shanghai People's Government (上海市人民政府) and designated by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) to engage in the transfer of state-owned equities of central enterprises. After obtaining the Shareholders' approval for the Proposed Mandate at the EGM, the Company and the Other ENC Vendors will commence the formal process of the Public Tender by submission of a tender notice to SUAEE setting out, inter alia, (i) the minimum bidding price for the Public Tender; (ii) the principal terms of the tender; and (iii) qualification requirements of potential bidders.

Once the tender notice for the Public Tender is published, the publication period will commence and open for tender. The publication period will initially be 20 working days. If no qualified bidder is recorded within the initial publication period, the bidding price can be reduced to an amount not less than 90% of the original bidding price for an extended publication period of 5 working days. During the publication period, interested bidders may submit the application materials and deposit together with their respective bidding price to SUAEE by the end of the publication period. Upon expiry of the publication period, SUAEE will notify the Company the identity of the successful bidder who offers the highest bidding price among the qualified interested bidders. The Company and the Other ENC Vendors will then enter into the Asset Transaction Agreement in relation to the Public Tender with the successful bidder within five days and to complete the disposal of 49% equity interest in ENC in accordance with the terms and conditions of the Asset Transaction Agreement. As at the Latest Practicable Date, material information of the Asset Transaction Agreement including the bidders, final consideration, payment, delivery and closing date have not been finalised.

LETTER FROM THE BOARD

Qualifications of bidders

The qualified bidders shall satisfy, amongst others, the following qualifications:

1. the qualified bidder shall be a validly established legal entity or a natural person, who shall have full capacity for civil rights and capacity for civil conduct; and
2. other qualifications stipulated under the laws and regulations of the PRC.

Conditions precedent to the Proposed Disposal

The entering into of the Proposed Disposal shall be conditional upon the Company having completed or obtained all of the following state-owned asset management procedures and necessary consents and approvals regarding the Proposed Disposal: (a) approval of the shareholders of Nanjing Electronics Information Industrial Corporation, a state-owned shareholder of the Company; (b) the review and filing of the Valuation by CEC; and (c) the approval by the Shareholders in respect of the Proposed Mandate at the EGM. None of the conditions precedent are waivable. As at the Latest Practicable date, save for the approval by the Shareholders in respect of the Proposed Mandate at the EGM, all of the above conditions precedent have been fulfilled.

Once a successful bidder for the Public Tender has been identified, the Company will thereupon become unconditionally obliged to enter into the Asset Transaction Agreement with such successful bidder for the Public Tender and, subject to the terms and conditions thereunder, complete the Proposed Disposal. As such, the Company would not be able at the time to seek the approval of the Shareholders as required under Chapter 14 of the Listing Rules. Accordingly, the Board would like to seek the approval of the Proposed Mandate from the Shareholders at the EGM in advance so as to conduct the Proposed Disposal. The Proposed Mandate shall be valid for a period of twelve months from the date of the Shareholders' resolution approving the Proposed Disposal and the Proposed Mandate.

2. INFORMATION ON ENC

ENC is a company established in the PRC with limited liability. As at the Latest Practicable Date, ENC is held as to 27% by the Company, 51% by Ericsson (China) Company Limited, 20% by CETC Asset Management Co., Ltd. and 2% by Yung Shing Enterprise, Hong Kong. ENC is principally engaged in the production of mobile communication system equipment, public network communication system equipment and other products, mainly responsible for the industrialization and mass production of Ericsson's developed products, and delivering and shipping to customers around the world.

LETTER FROM THE BOARD

Set out below is the unaudited financial information of ENC for the two financial years ended 31 December 2024:

	For the financial year	
	ended 31 December	
	2023	2024
	<i>RMB million</i>	<i>RMB million</i>
Revenue	4,775.53	3,376.11
Net profit/(loss) before taxation	131.44	95.53
Net profit/(loss) after taxation	96.40	72.48

Based on the unaudited financial information of ENC, the total assets value and net assets value of ENC were approximately RMB2,656.29 million and RMB1,021.24 million respectively as at 31 December 2024.

3. INFORMATION ON THE GROUP AND THE OTHER ENC VENDORS

The Group takes smart transportation and safe city, industrial Internet and intelligent manufacturing, and green and service-oriented electronic manufacturing as its three main businesses. The ultimate beneficial owner of the Company is CEC.

CETC Asset Management Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in asset operation, asset management and asset services. To the best of knowledge and understanding of the Directors, CETC Asset Management Co., Ltd. is ultimately wholly-owned by SASAC.

Yung Shing Enterprise, Hong Kong is a sole proprietorship in Hong Kong and is principally engaged in telecommunication consultancy. To the best of knowledge and understanding of the Directors, the ultimate beneficial owner of Yung Shing Enterprise, Hong Kong is Alice Cheng.

To the best of knowledge and understanding of the Directors, each of the Other ENC Vendors and their ultimate beneficial owner are Independent Third Parties.

LETTER FROM THE BOARD

4. FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

As the Company only held approximately 27% equity interest in ENC as at the Latest Practicable Date, the financial results of ENC was not consolidated in the Company's consolidated financial statements. Accordingly, save as the expected gain on disposal arising from the Proposed Disposal, the Directors are of the view that the Proposed Disposal will not have any material impact on the Company's financial position.

The Group is expected to record a gain before tax and expenses of approximately RMB256.15 million (subject to adjustment and audit) from the proposed Disposal. It was calculated based on (i) the Minimum Consideration of approximately RMB256.15 million to be received by the Company; and (ii) the carrying amount of the 27% equity interest in ENC held by the Company of RMB0 as at 31 December 2024. The final gain from the Proposed Disposal will be determined based on the final consideration for the Proposed Disposal to be received by the Company, subject to audit by the auditors of the Company.

Immediately after the completion of the Proposed Disposal, the Company will not have any interest in ENC which will cease to be an associate of the Company and the results of ENC will not be accounted for in the Group's financial statements by equity accounting.

5. USE OF PROCEEDS FROM THE POTENTIAL DISPOSAL

Based on the Minimum Consideration, the gross proceeds to be received from the Proposed Disposal are expected to be not less than approximately RMB256.15 million. The Group intends to use the proceeds from the Proposed Disposal for daily business operations, which will include investment in fixed assets and research and development expenditures of the Group's smart transportation and safe city, industrial Internet and intelligent manufacturing, and green and service-oriented electronic manufacturing businesses, as well as to supplement general working capital.

LETTER FROM THE BOARD

6. REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

In December 2015, ENC received a notice from the Nanjing tax authority regarding an additional enterprise income tax of RMB1,222,867,252.87 due to violations of special tax adjustment laws. ENC paid a total of RMB1,424,241,068 in taxes and interest, and recorded such amount as “other long-term assets” without affecting the profit and loss of ENC. At ENC’s board meeting in 2016, all shareholders agreed that transfer pricing adjustments related to internal transaction with Ericsson AB (“EAB”), the then Swedish shareholder of ENC, would be EAB’s responsibility, while other tax adjustments would be borne by ENC. EAB and ENC applied for Mutual Agreement Procedures (MAP) under the double taxation avoidance agreement between China and Sweden, and the audit reports of Ericsson Panda for the successive years showed that ENC was basically certain that it would not be unable to obtain the full amount of its payment of special tax adjustments as a result of the MAP being withdrawn or revoked.

In December 2023, the Swedish tax authorities had concluded the MAP negotiations and granted a relief compensation of SEK199,493,876 (approximately RMB136 million) of tax reduction and exemption to EAB. As a result, the unaudited financial statements of ENC for the year ended 31 December 2023 recorded a loss of RMB1,223,949,189.61, mainly due to the “special tax adjustment” of RMB1,424,241,068 assumed by ENC, excluding the portion of SEK199,493,876 of tax relief received from EAB. If the abovementioned accounting treatment is adopted, ENC will suffer a net loss of RMB1,225,650,136.48 for the year ended 31 December 2023. As such, the Chinese shareholders of ENC did not give consent to the audit report of ENC for the year 2023, which resulted in ENC’s audit report for the year 2023 not being formally issued. Since then, the Company and the other Chinese shareholders of ENC have been engaging in ongoing communications and negotiations with their fellow ENC shareholder Ericsson, to agree on a path forward for ENC and in light of the special tax adjustment matter of ENC.

The Company provided detailed explanations regarding the above special tax adjustment and relevant matters of ENC in the announcements (Lin 2024-003, 2024-004, 2024-024, 2025-011) published on the website of the Shanghai Stock Exchange on 31 January, 1 March, 29 March, 27 April, 4 June, 28 August, 30 October 2024 and 28 March 2025 and in the Company’s annual report for 2023, first quarterly report for 2024, interim report for 2024, third quarterly report for 2024 and annual report for 2024, and also disclosed the periodic progress of the matter in each regular report.

LETTER FROM THE BOARD

As a result of the above special tax adjustment, in the Company's financial statements for the year 2023, a full impairment provision of RMB230 million was made for the long-term equity investment in ENC. If the ENC equity disposal is completed, it is expected to have a positive impact on the Company's financial results for the year when the Proposed Disposal is completed.

As the de facto controller of the Company, CEC, is ultimately controlled by the SASAC, the disposal of the equity interest in ENC held by the Company is required by laws and regulations of PRC governing the disposal of state-controlled assets to undergo the process of public tender through a qualified equity exchange institution.

The Directors (including the independent non-executive Directors) are of the view that the key terms of the Proposed Disposal are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

7. IMPLICATIONS UNDER LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Disposal is more than 25% but is less than 75%, the Proposed Disposal is expected to constitute a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purposes of, among other matters, considering and, if thought fit, approving the Proposed Disposal.

To ensure the smooth progress of the Proposed Disposal, the Board also intends to propose that the EGM to authorize the Company's management to handle specific matters related to the Proposed Disposal in accordance with relevant laws and regulations, including but not limited to fulfilling the public tender and transfer procedures, signing contracts, agreements, and documents related to the Proposed Disposal, making shareholding statements and commitments based on shareholding trading practices and actual circumstances, modifying specific terms within the framework of the Asset Transfer Agreement, organizing and implementing the transfer of shareholding, collecting the shareholding transfer payment, and addressing various matters related to exiting ENC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no connected persons of the Company will participate in the Public Tender. Accordingly, the Proposed Disposal is not subject to the connected transaction requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The terms of the Proposed Disposal have yet to be finalized and therefore may be subject to further changes. In addition, as the Proposed Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company. The Company will make further announcement(s) in compliance with the Listing Rules as and when appropriate or required.

III. THE EGM

The EGM will be held on Wednesday, 30 July 2025 at 2:30 p.m. at the Company's Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China.

A notice setting out the resolutions to be resolved at the EGM is set out on pages EGM-1 to EGM-2 of this circular.

The register of members relating to H-shares of the Company will be closed from 22 July 2025 to 30 July 2025, both days inclusive, during which period no transfer of H-shares of the Company will be registered. In order to attend the EGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H shares) or the office of the Company (in case of holders of A shares), no later than 4:30 p.m. on 21 July 2025.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders has any material interest in the Proposed Disposal, and therefore no Shareholder is required to abstain from voting on the relevant resolution for approving the Proposed Disposal at the EGM.

IV. PROXY ARRANGEMENT

The Proxy Form for use at the EGM has been despatched to the Shareholders. Whether or not you intend to attend the EGM, you are requested to complete the Proxy Form in accordance with the instructions printed thereon and return the same to the office of the Company as soon as possible but in any event not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Proxy Form will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. The results of the poll will be published on the HKExnews website at www.hkexnews.hk and the Company's website at www.panda.cn after the EGM as soon as possible.

LETTER FROM THE BOARD

VI. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the Proposed Disposal through public tender, the Proposed Mandate and transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. The Board would recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Proposed Disposal and the grant of the Proposed Mandate.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of EGM.

By order of the Board
Nanjing Panda Electronics Company Limited
Xia Dechuan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2022, 2023 and 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.csair.com>):

- annual report of the Company for the year ended 31 December 2022 published on 26 April 2023;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602483.pdf>

- annual report of the Company for the year ended 31 December 2023 published on 26 April 2024; and

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042602078.pdf>

- annual report of the Company for the year ended 31 December 2024 published on 28 April 2025.

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0428/2025042802423.pdf>

2. INDEBTEDNESS

Bank Borrowings

As at the close of business on 31 May 2025 (the latest practicable date prior to the printing of this circular for the purposes of this statement of indebtedness), the Group had total outstanding bank borrowings of RMB0.00.

Other Borrowings

As at the close of business on 31 May 2025, the Group's other borrowings amounted to RMB0.00.

Lease Liabilities

As at 31 May 2025, the Group (as lessee) had outstanding contractual lease payments for the remaining lease term totaling RMB8,700,807.28. These liabilities are unsecured and unguaranteed.

Financial Guarantees and Contingent Liabilities

As at the close of business on 31 May 2025, the Group had provided guarantees to certain banks for loans related to its development projects. The total amount of loans under these guarantees was RMB0.00.

General Matters

As at the close of business on 31 May 2025, apart from the liabilities mentioned above, the Group had no outstanding debt securities issued, nor any other unissued but authorized debt securities. The Group had no other outstanding loan, nor any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and acceptance liabilities (except commercial paper), or similar obligations, debentures, mortgages, loans, acceptance credits, hire-purchase commitments, recognized lease liabilities, guarantees, or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Company were made up).

4. WORKING CAPITAL

Taking into account the present internal resources and the available banking facilities of the Group, and considering the effect of the Proposed Disposal, the Board, after due and careful enquiry, is of the opinion that the working capital of the Group is sufficient for the Group's requirement for at least 12 months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**(I) Industrial landscape and trend**

In 2024, driven by the global market recovery trend and the state's "package" of incremental policies, China's electronic information manufacturing industry achieved sustained and rapid growth. Looking ahead to 2025, the global political and economic risks and challenges continue to rise, and the pattern of the industrial chain and supply chain is being reconstructed at an accelerated pace. China's electronic information manufacturing industry still needs to continuously accelerate the transformation and upgrading process of its product structure and industrial structure, continuously improve innovation efficiency, focus on creating a coordinated development industrial ecosystem, ensure the smooth completion of the "14th Five-Year Plan" for the industry, and lay a solid foundation for starting the process of high-quality development of the industry during the "15th Five-Year Plan" period. With the accelerated emergence of new technologies and new hotspots, as a core industry of new quality productive forces, the electronic information manufacturing industry will exhibit an increasingly obvious trend of highend and intelligent development. The optimization and upgrading of the industrial structure will drive the industrial chain to extend to higher value-added links, promote high-quality economic development, and contribute significantly to promoting the process of new industrialization and cultivating new quality productive forces. It is expected that the growth rate of the added value of China's electronic information manufacturing industry in 2025 will be in the range of 5% to 8%.

In the field of digital cities, the “Digital China” strategy has been proposed to promote the indepth integration of the digital economy with the real economy and accelerate the construction of a digital society and a digital government. The 14th Five-Year Plan has made it clear that it is necessary to accelerate digital development and build smart cities and digital villages. Local governments have successively introduced smart city construction plans. For example, the Jiangsu Provincial Smart Transportation Development Action Plan proposes that by 2035, the digitization rate of transportation infrastructure will reach 95%. With the continuous increase in China’s urbanization rate, the complexity of urban management has increased, and the demand for digital solutions has become increasingly urgent. The maturity of technologies such as 5G, artificial intelligence, and the Internet of Things has provided technical support for the construction of digital cities. It is estimated that by 2025, the market size of smart cities in China will reach RMB20 trillion, with an average annual growth rate of over 15%. Among them, the market size of smart transportation will exceed RMB1.5 trillion, the market size of intelligent security will reach RMB1 trillion, and the market size of smart parks will exceed RMB500 billion.

The Company has made remarkable deployments and achievements in the field of digital cities. As it possesses the core technologies such as mobile payment and emergency communication, a full set of solutions such as urban rail transit integrated command systems, automatic fare collection systems, ticketing clearing systems, and communication systems, can be provided. The Company’s research and development achievements have been applied in more than 60 cities around the world, making it a domestic leading supplier of core equipment for urban rail transit. The Company provides multi-scenario integrated solutions for digital parks, covering areas such as smart park management, security monitoring, and intelligent buildings. In the future, the Company will further deepen the research, development, and application of the dedicated communication system technology for rail transit, promote the application of digital twin virtualreal interaction simulation technology, improve the intelligence level of the system, expand the terminal technology of the satellite internet, and provide broader communication support for smart cities. It will focus on increasing investment in the research and development of core technologies such as 5G, artificial intelligence, the Internet of Things, and digital twins, and enhance its independent innovation capabilities. Additionally, it will deeply cultivate the domestic market, especially in the fields of smart transportation and digital parks, and expand its market share; actively explore overseas markets, especially in countries and regions along the Belt and Road Initiative, to seek new cooperation opportunities; strengthen brand building and enhance brand influence by participating in industry exhibitions and releasing technical whitepapers, etc.

In the fields of industrial Internet and intelligent manufacturing, in 2025, artificial intelligence, as a key variable of the era, will be released at an accelerated pace. The digital empowerment characterized by “artificial intelligence +” will promote the deep integration of the real and the digital, driving the coordinated development of the industry towards high-end, intelligent, and green directions. Firstly, in the key industries with a relatively good digital foundation, such as electronic information, equipment manufacturing, consumer goods, and raw materials, “artificial intelligence +” initiative will be further promoted, focusing on key links such as research and development, production, quality inspection, and supply chain management, and developing new models and applications such as digital twin design, human-machine collaborative production, intelligent quality inspection, and precise and collaborated supply chains; secondly, leading enterprises in the industry and state-owned enterprises will collaborate with large model enterprises to carry out the research and development of vertical large models and the construction of industry data sets, and use the “large model + small model” approach to implement and build typical application scenarios, gradually promoting the transformation of business processes, operation models, and decision-making mechanisms driven by intelligence; thirdly, in the key carbon emission fields such as electricity, industry, transportation, and construction, the application model and path of “artificial intelligence +” will be explored actively to enhance the “intelligence content” and “green content” of the real and the digital integration.

In the fields of industrial Internet and intelligent manufacturing, the Company relies on technologies such as the Internet, cloud computing, big data, and artificial intelligence; through the intelligent interconnection of people, machines, and things, it has achieved seamless transmission of information and data among various production links and production factors, thus helping enterprises reduce costs, increase efficiency, improve quality, and upgrade. The Company has established an industrial Internet platform with cloud computing, big data, and artificial intelligence as the core, which supports data collection, analysis, and intelligent decision-making. The intelligent manufacturing solutions has been implemented and applied in multiple industries, such as high-end equipment manufacturing, electronic information, and new energy. In the future, the Company’s technology layout and core directions will involve mining the potential value in production data through big data analysis and governance, and optimizing production processes and resource allocation. By leveraging the high bandwidth and low latency characteristics of 5G networks and using artificial intelligence algorithms, the intelligent optimization and dynamic adjustment of production plans can be achieved; in combination with edge computing technology, real-time processing of production data and intelligent decision-making can be achieved. The Company will continue to invest in areas such as self-diagnosis and predictive technology for robot failures and remote control of high-end equipment, and promote the intelligent upgrading of industrial robots. In addition, the Company is committed to continuous investment in core technologies such as data mining and governance, 5G + edge computing, intelligent

decisionmaking, and machine vision, striving to achieve technological breakthroughs. It will strive to explore a differentiated technological development route in line with the needs of industrial scenarios, and form unique technological advantages. By focusing on key industries such as highend equipment manufacturing, electronic information, and new energy, the Company will provide customized intelligent manufacturing solutions.

(II) Development strategies of the Company

The Company seizes the development opportunities of the digital economy and new-generation information technologies, gives full play to its advantages in the field of digital and intelligent equipment, such as digital cities, rail transit, intelligent manufacturing, and communication equipment. By focusing on three major main businesses: smart transportation and safe cities, industrial Internet and intelligent manufacturing, and green service-oriented electronic manufacturing, guided by market applications and driven by technological innovation, the Company coordinates resources both inside and outside the Group, increases investment in technology research and development, and continuously enhances the core competitiveness of the industry relying on the basic capabilities of China's electronic computing system. It is committed to becoming a first-class digital transformation service provider with strong capabilities in serving national strategies, value creation and technological innovation, and professional manufacturing and undertaking major system engineering projects, as well as a core force in the construction of Digital China.

In the field of intelligent transportation, the Company will consolidate the existing competitive advantages, expand into new projects in economically developed second-tier cities, strengthen breakthroughs in network-related projects, and accelerate the layout of overseas markets and brand internationalization. In terms of the digital park business, it will focus on the national information technology strategy, promote the upgrading of intelligent engineering to digital integration, and expand into the market of Party and government organs and classified projects. In terms of the safe city business, it will firmly grasp the implementation of orders, focus on products such as satellite communication terminals, Beidou time synchronization, and self-organizing network communication, strive to expand sales revenue, and simultaneously promote the extension of the military power supply market to the civilian energy storage field. In terms of intelligent manufacturing, with industrial robots and intelligent logistics equipment as the core, it will break through key technologies such as fault diagnosis and intelligent sorting, deeply cultivate the new energy and energy storage industries, and provide robot integrated workstations and intelligent logistics solutions. In terms of green service-oriented electronic manufacturing, it will focus on human-computer interaction and electronic control products for white goods, target key customers such as BSH and strive to achieve the goal of RMB120 million. In terms of automotive electronics, it will rely on platform-based collaboration to exceed the

revenue target of RMB250 million. Meanwhile, it will increase investment in the research and development of flow batteries, expand energy storage customers, and leverage the manufacturing advantages to explore the markets of intelligent short-distance transportation and AI consumer electronics, and build a differentiated value-added service system covering the entire industrial chain.

The Company will strengthen scientific and technological innovation as a core for its overall development, focus on tackling key and core technologies in the field of digital and intelligent equipment, drive development through innovation, and spare no effort to achieve high-level self-reliance and strength in science and technology, providing reliable technical support for national strategic needs. By constructing a dual-track collaborative innovation system of “the research institute focusing on core technology breakthroughs + the industrial company focusing on the implementation of scenario applications”, the Company establishes a close two-way demand docking and differentiated performance appraisal mechanism, and forms a deep linkage between research and development and industrialization. It implements the major special projects such as low-orbit satellite internet terminals, low-altitude intelligent networking platforms, intelligent operation and maintenance systems for industrial equipment, and scenario-based applications of large models in priority, leading the transformation and upgrading of the industry; breaks through the core technologies such as intelligent charging for cross-domain transportation, autonomous diagnosis of industrial robots, real-time edge computing processing, dynamic decision-making optimization, and digital twin visualization in a concentrated manner to tackle the “bottleneck” problems. Meanwhile, it deepens the cooperation among industry, university and research institutes, and establishes core laboratories and scenario verification platforms together with universities, to connect the entire chain from technology research and development to achievement transformation and then to market application, cultivate competitive flagship products in the international market, and comprehensively support the national strategy of independent development of the digital and intelligent equipment industry.

(III) Business plan**1. *The progress of development strategies and business plan during the reporting period***

In 2024, in the face of a severe development environment and various internal and external challenges, the Company adhered to the general principle of pursuing progress while maintaining stability. Focusing on the decision-making and deployment of the midterm adjustment of the “14th Five-Year Plan”, it coordinated and promoted the work of deepening reforms, transforming and upgrading, and preventing risks, striving to maintain the stable and orderly operation of the enterprise. However, during the Reporting Period, the existing market competition for some of the Company’s businesses was fierce, the transition period for the transformation and upgrading of the business structure was relatively long, and the expansion of new customers did not meet expectations. Meanwhile, in order to respond to changes in market and customer demands and accelerate the transformation and upgrading of the industry, the Company maintained a high level of R&D investment, resulting in an increase in R&D expenses. In addition, in accordance with the Accounting Standards for Business Enterprises, the Company accrued credit impairment losses and asset impairment losses. Affected by the superposition of the above factors, the Company incurred losses in 2024.

The Company’s operating targets for 2024 were to achieve an operating income of RMB3,600 million and total profit of RMB60 million. According to the audited financial report, the Company registered operating income of RMB2,645,885,000, total loss of RMB124,622,000, and net loss of RMB141,432,800 in 2024.

2. *2025 operating plan*

The operating targets of the Company for 2025 are to achieve an operating income of RMB2,800 million and total profit of RMB115 million. Based on the overall development situation of the macro economy, the Board has fully considered the development status of the industry and formulated the above operating targets in combination with the actual situation of the Company. During the actual operation process, there will be many uncertain factors. The Company will adhere to a practical work style, pursue progress while maintaining stability, and strive to achieve the operating targets.

In 2025, the Company will follow the strategic deployment of the Board, focus on its main responsibilities and core businesses, explore and identify new tracks, new models and new driving forces, and systematically implement strategic projects such as industrial upgrading, reform breakthroughs, quality improvement and efficiency enhancement, strengthening the enterprise through talents, and ensuring compliance. It will further promote its integrated development, continuously enhance its core functions and core competitiveness, and strive to win the tough battle in the year of reform breakthroughs, so as to make good plans and arrangements for the work during the 15th Five-Year Plan period. Firstly, it is necessary to systematically promote the optimization and upgrading of the industrial structure, consolidate and enhance the competitive advantages of pillar businesses, accelerate the cultivation of growth poles for emerging businesses, lay a solid foundation for strategic reserve businesses, optimize the value creation of collaborative businesses, orderly withdraw from inefficient and backward production capacities, further promote the iterative transformation of new and old driving forces, and build a balanced development mechanism of “current stability + future growth”; secondly, it is necessary to improve the scientific and technological innovation system, plan and implement a number of major special projects, break through a number of key core technologies, promote the transformation and application of scientific and technological achievements, strengthen the construction of the Digital Intelligence Industry Research Institute, and build a scientific and technological innovation system that combines unified management and separate implementation, with the research institute focusing on tackling key core technologies and industrial companies focusing on industrial expansion and application; thirdly, it is necessary to take market development as a sharp weapon to create growth poles for business value. While maintaining the competitive advantages of various business segments, the Company should actively expand the market and broaden its business scope.

(IV) Potential risks**1. Technical risk**

The Company's industrial development is influenced by factors such as changes in the external economic environment, the allocation of internal R&D resources, and the transformation of R&D achievements. There are deficiencies in building the Company's industrial innovation capabilities and core competitiveness. The Company will deeply understand market demands and changing trends, focus on the construction of the Digital Intelligence Industry Research Institute, improve the scientific research work system, strengthen the cultivation of scientific and technological talents, deepen the reform of the incentive mechanism, accelerate the research and breakthrough of key core technologies, and promote the continuous iterative upgrading of new technologies and products, so as to provide a strong driving force for the Company's high-quality development.

2. Market risk

The Company's main business lies in a perfectly competitive market, with insufficient market expansion. In order to cope with market risks better, the Company will continue to optimize its market expansion strategy, integrate high-quality resources, and continuously promote industrial transformation and upgrading and the core competitiveness of products and services; keep up with the market dynamics, follow the industry trend, optimize business structure, and strive to find new growth points for the business; and actively explore and develop overseas business markets.

3. Litigation risk

In recent years, the Company has followed an increasing trend in litigation and disputes in general. In order to do a good job in litigation management, the Company will make efforts in dealing with the pre-litigation risk prevention, in-litigation case handling, and post-litigation review and analysis. It will strengthen internal management to further improve the compliance work competence according to laws. By advancing industrial transformation and upgrading, it will improve the quality of products and services, and reduce commercial disputes.

**All Shareholders' Equity Value of
Ericsson Panda Communication Co., Ltd.
Involved in the Proposed Disposal of Equity Interest by
Nanjing Panda Electronics Company Limited
Valuation Report**

**Zhong Tian Hua Zi Bao Zi [2025] No. 2142
(Volume 1 of 1 volume in total)**

Beijing Zhongtianhua Asset Appraisal Co., Ltd.

21 April 2025

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DISCLAIMER

- I. This valuation report is not an asset valuation report as defined in the Asset Valuation Law of the People's Republic of China.
- II. This report is intended to be used only for the purposes stated in the "PURPOSE OF VALUATION" of the asset valuation engagement contract. Without our prior written consent, it shall not be used in any legal or litigation proceedings, disseminated, distributed or published in any publicly available publications, announcements or annual reports, or reproduced or used in part or in whole for any other purposes. The contents of this report are strictly confidential and (to the extent permitted by law) shall not be disclosed, in part or in whole, to any third party other than the Board of Directors of the Company without the prior written consent of the institution and the appraisers.
- III. We understand that the Company will make independent considerations and evaluations before making any business decision and will not rely solely on our report, and that the report we issue will not be a substitute for other analytical and investigative work that the Company should perform in reaching a business decision. Our report does not include specific recommendations to purchase or sell.
- IV. The information we have used in this report comes from various data sources indicated in this report. This report is based on historical financial data of the target company provided by the client and significant assumptions related to the future operations of the target company. Although our work involves the analysis of financial accounting information, for the purpose of this work, except as otherwise stated in this report, we did not perform any audit procedures, and did not verify the historical financial and other information contained in this report. Accordingly, we will not express any opinion on, or accept any responsibility for, the reliability and accuracy of any information provided by the Company and the target company.
- V. We have not verified the information and data provided by other third parties on which the valuation analysis in this report is based and which we have assumed to be reliable. We do not guarantee the accuracy of such information and data.

**All Shareholders' Equity Value of Ericsson Panda Communication Co., Ltd.
Involved in the Proposed Disposal of Equity Interest by
Nanjing Panda Electronics Company Limited
Summary of Valuation Report
Zhong Tian Hua Zi Bao Zi [2025] No. 2142**

Beijing Zhongtianhua Asset Appraisal Co., Ltd. was engaged by Nanjing Panda Electronics Company Limited (hereinafter referred to as “**Nanjing Panda**” or the “**Client**”) to conduct a valuation on all shareholders' equity value of Ericsson Panda Communication Co., Ltd. (hereinafter referred to as “**Ericsson Panda**” or the “**Appraised Entity**” or “**ENC**”) involved in the proposed disposal of equity interest by Nanjing Panda, providing a value reference basis for the economic activities to be taken by Nanjing Panda.

According to the purpose of valuation, the valuation target is all shareholders' equity value of Ericsson Panda after simulated adjustments. The scope of valuation covers all assets and related liabilities of Ericsson Panda after simulated adjustments as of the valuation benchmark date. The specific scope of valuation is based on the adjusted balance sheet and valuation declaration form of Ericsson Panda provided by Nanjing Panda.

The valuation benchmark date is 31 December 2024.

The type of value for this valuation is market value.

The valuation is based on the premise of continuous use and open market, and the market approach and income approach are adopted for valuation. Under the conditions that the valuation premise and assumption conditions are fully realized, the following valuation conclusions are reached:

Valuation result based on the income approach: the adjusted book value of total assets of Ericsson Panda as at the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000. All shareholders' equity value after valuation using the income approach was RMB445,110,000, with a valuation impairment of RMB576,127,000, representing an impairment rate of 56.41%.

Valuation result based on the market approach: the adjusted book value of total assets of Ericsson Panda as at the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000. All shareholders' equity value after valuation using the market approach was RMB1,054,099,000, with an appreciation of RMB32,862,000, representing an appreciation rate of 3.22%.

Considering the applicable premise of the valuation method and satisfying the purpose of valuation, the valuation result based on the market approach was adopted as the final valuation conclusion, i.e., the valuation of all shareholders' equity value of Ericsson Panda was RMB1,054,099,000 (in words: One billion and fifty-four million and ninety-nine thousand yuan only).

When using the valuation conclusion, the report user is especially advised to pay attention to the valuation assumptions and limiting conditions, explanation of special matters, and other information contained in the report.

The valuation conclusion of this report is valid for one year from the valuation benchmark date, i.e., until 30 December 2025. After one year, a new valuation is required.

The following matters are brought to the attention of the report user when using the valuation conclusion:

1. In this estimation, we have referred to and adopted the adjusted pro forma financial statements of Ericsson Panda for the year 2023 and the valuation benchmark date of 31 December 2024 provided by the Client, Nanjing Panda, as well as the financial reports and transaction data of the relevant comparable companies that we have searched for in the wind database. Our estimation work relies heavily on the above adjusted pro forma financial statement data and transaction data of Ericsson Panda, and we assume that the above adjusted pro forma financial statement data and relevant transaction data are true and reliable. Our reliance on the data in such adjusted pro forma financial statements in our estimation does not represent any warranty on our part as to the correctness and completeness of such financial information.
2. The Client, Nanjing Panda, has provided the Explanation on Special Tax Adjustment in the Pro Forma Financial Statements of Ericsson Panda Communication Co., Ltd. as set out below:

(1) Overview of special tax adjustment

In December 2015, after Ericsson Panda received the special tax adjustment notice issued by the State Tax Bureau of Nanjing Jiangning Economic and Technological Development Zone, it has successively cleared the payment of tax and interest of approximately RMB1,424 million and recorded the said amount in other long-term assets, which did not have any impact on the profit and loss of Ericsson Panda and the Company. In 2016, Ericsson Panda and Ericsson AB (Swedish Ericsson AB, hereinafter referred to as "EAB") submitted the Mutual Agreement Procedures (hereinafter referred to as "MAP") between the Swedish competent authority and the Chinese competent authority, and the audit reports of Ericsson Panda for the successive years showed that Ericsson Panda was basically certain that it would not be unable to obtain the full amount of its payment of special tax adjustments as a result of the MAP being withdrawn or revoked. On 19 December 2023, Ericsson Panda's management

notified that the Swedish tax authorities ended the MAP and granted a relief compensation payment of RMB136 million. Ericsson Panda recognized the aforementioned tax and interest of RMB1,288 million after deducting the relief compensation payment of RMB136 million into profit or loss for the current period, but did not obtain the consent of Ericsson Panda's Chinese shareholders, which resulted in Ericsson Panda's audit report for the year 2023 not being formally issued. On 30 October 2024, Ericsson Panda received a tax refund of RMB11 million from the Chinese tax authorities, and as of the valuation benchmark date, the remaining special tax adjustment payment amounted to RMB1,277 million.

(2) Settlement of special tax adjustment amount

On 31 December 2015, Ericsson Panda received a special tax investigation and adjustment notice (Ning Jing Guo Shui Tiao No. 20151001) issued by the State Tax Bureau of Nanjing Jiangning Economic and Technological Development Zone. According to the notice, Ericsson Panda's related party transactions during the investigation period violated the relevant provisions of the Enterprise Income Tax Law of the People's Republic of China and the Law of the People's Republic of China on the Administration of Tax Collection in relation to special tax adjustments, and shall be subject to a supplemental enterprise income tax of RMB1,222,867,253, and interest of RMB201,373,815 in accordance with the relevant provisions, totaling RMB1,424,241,068 (such aggregate amount is collectively referred to as the special tax adjustment amount). Ericsson Panda paid the tax of RMB200,000,000 on 30 December 2015 and the remaining tax and interest of RMB1,224,241,068 on 11 April and 13 April 2016, respectively.

(3) Launch of the MAP and major development

On 2 March 2016, EAB and Ericsson Panda signed a memorandum in which EAB confirmed that it, as the party effectively liable for the related party transaction with Ericsson Panda, will, based on the results of the MAP, return to Ericsson Panda the portion of the tax refund that is determined to be in agreement through the MAP by the Swedish and Chinese tax authorities in full and will be paid tax refunds by the Swedish tax authorities, and that the portion of the adjustment determined by the MAP will be refunded to Ericsson Panda through the Chinese tax authorities.

At the 58th board meeting of Ericsson Panda held on 15 March 2016, the directors dispatched by Nanjing Panda were informed by Ericsson Panda's management that EAB and Ericsson Panda would submit an application for the MAP in accordance with the Double Taxation Avoidance Agreement between China and Sweden. The Chinese shareholders have always emphasized that the MAP bilateral negotiations shall be seen as a risk of EAB and not for Ericsson Panda.

On 16 June 2016, EAB applied for the MAP under the Double Taxation Avoidance Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Sweden, and the Swedish Competent Authority (SCA) initiated a MAP with the Chinese Competent Authority (CNCA) on 1 February 2017, and the CNCA confirmed its receipt of the initiation of the MAP on 3 February 2017 to the SCA.

According to the information provided by Ericsson Panda's management, there have been no material changes or substantial progress in the MAP from the time of the MAP's initiation to the termination of the MAP by the Swedish Competent Authority. Nanjing Panda has also not been informed through other channels of any material changes or substantial progress in the MAP during the said period.

According to the information provided by Ericsson Panda's management, on 12 December 2023, the Swedish Competent Authority made a unilateral decision to terminate the MAP and granted a relief compensation payment of RMB136 million.

(4) Specific basis for accounting treatment of related taxes

As of the reporting date of the financial statements for the financial years 2015–2022, the MAP has been conducted but not yet completed. Ericsson Panda is not yet in a position to judge the outcome of the MAP and the timing of its completion, and Ericsson Panda is basically certain that the special tax adjustment amount paid by Ericsson Panda will not result in Ericsson Panda not being able to obtain a full refund from EAB and Chinese tax authorities as a result of the eventual revocation or withdrawal of such MAP. Based on Ericsson Panda's audited financial statements and audit report for the year 2015, Ericsson Panda recorded the above special tax adjustment and interest in "other long-term assets". According to Ericsson Panda's audited financial statements and audit report for 2020, the above "other long-term assets" account was changed to "other non-current assets", which will continue until Ericsson Panda's audited financial statements and audit report for 2022.

(5) Adjustments to the current pro forma financial statements

In this valuation, in view of the fact that the Client, Nanjing Panda, is basically certain that the above special tax adjustment amount paid by Ericsson Panda will not be unable to obtain a full refund due to revocation or withdrawal of the MAP, Nanjing Panda has made adjustments to the financial statements of Ericsson Panda for the year 2023 and the valuation benchmark date of 31 December 2024, and recorded the remaining amount of the above mentioned special tax adjustment and interest totally RMB1,276,824,958.05 into "other non-current assets".

3. Explanation of the impact of the above pending matters on the valuation

In the pro forma financial statements of Ericsson Panda as of the valuation benchmark date provided by the Client, there is an amount of RMB1,276,824,958.05 in other non-current assets as of 31 December 2016, which is the remaining special tax adjustment amount. In view of the following circumstances: (1) the 2023 financial statements prepared by Ericsson Panda on its own and the 2023 audit report issued by Deloitte Touche Tohmatsu CPA LLP Nanjing Branch had provided for credit impairment loss in full for the aforesaid other non-current assets, but the consent of the Chinese shareholders of Ericsson Panda has not been obtained, which resulted in the 2023 audit report of Ericsson Panda not being formally issued. (2) The Client, Nanjing Panda, has made a full impairment on its long-term equity investment – Ericsson Panda in the 2023 financial statements, which was mainly due to the fact that Nanjing Panda has fully considered that there is a great deal of uncertainty about the recovery of other non-current assets by ENC, and this matter is likely to have a significant impact on this long-term equity investment, and in view of the principle of prudence, it has made a full impairment on its long-term equity investment in ENC. (3) According to the relevant opinions issued by professional organizations: (i) According to the relevant provisions of laws and regulations, the subject of special tax adjustment is the subject of enterprise income tax, i.e., ENC. The articles of association of ENC have not agreed on the tax obligations of Ericsson China or EAB. (ii) Based on the email from the then Chairman of ENC replying to the Chinese shareholders and the minutes of the 58th meeting of ENC, the transfer pricing adjustments related to Ericsson’s internal transactions were the responsibility of Ericsson. (iii) In December 2023, EAB requested the remaining portion be borne by ENC. Since then, despite Nanjing Panda’s continuous exchanges, negotiations and communications with the management of ENC and the directors of Ericsson in relation to the ENC special tax adjustment, there is legal uncertainty as to whether EAB will ultimately bear the remaining portion of the ENC special tax adjustment, and there is a risk that ENC will recover the remaining portion of such special tax adjustment. The relevant provisions of laws and regulations stipulate that the taxable entity of the special tax adjustment shall be the subject of enterprise income tax, i.e. borne by ENC.

Based on the relevant information provided by Nanjing Panda, the valuation assumes that the aforesaid amount can be recovered in accordance with 40% of the remaining amount of the special tax adjustment based on the analyses of Nanjing Panda, the accountants and the professional institutions and the comprehensive judgment of the valuers, and the valuation conclusions have been obtained on this basis. If the actual recoverable amount of the asset changes after the valuation report date, the valuation conclusion shall be adjusted.

4. According to the business term listed in the business license of the Appraised Entity, the business term of Ericsson Panda ends on 14 September 2025, and according to the statement of the board of directors of Ericsson Panda, the business term is extended to 15 March 2026. The valuation assumes that the business can be successfully extended and continue to operate after the expiration of the business term, and the valuation conclusion are based on the premise of the assumption that the business can continue to operate.

The above is extracted from the text of the valuation report. For details of the valuation and a proper understanding of the valuation conclusion, the full text of the valuation report should be read.

**All Shareholders' Equity Value of Ericsson Panda Communication Co., Ltd.
Involved in the Proposed Disposal of Equity Interest by
Nanjing Panda Electronics Company Limited
Valuation Report**

Zhong Tian Hua Zi Bao Zi [2025] No. 2142

Nanjing Panda Electronics Company Limited:

Beijing Zhongtianhua Asset Appraisal Co., Ltd. was engaged by the Company, complied with the laws and administrative regulations, performed necessary valuation procedures in accordance with the engagement, and adopted the market approach and income approach, to conduct a valuation on the market capitalization of all shareholders' equity of Ericsson Panda Communication Co., Ltd. involved in the proposed disposal of equity interest by Nanjing Panda Electronics Company Limited as at 31 December 2024.

The valuation details are reported as follows:

I. OVERVIEW OF THE CLIENT, APPRAISED ENTITY AND OTHER USERS OF THE VALUATION REPORT AGREED IN THE VALUATION ENGAGEMENT CONTRACT

The client of the valuation is Nanjing Panda Electronics Company Limited, and the appraised entity is Ericsson Panda Communication Co., Ltd. The user of the valuation report is the client. Other than the client, any third party who has obtained the report shall not be regarded as the user of the valuation report, and the institution and the appraisers shall not be liable for any loss incurred by such third party due to the misuse of the valuation report.

(I) Brief introduction of the client:

1. Name: Nanjing Panda Electronics Company Limited
2. Unified social credit identifier: 91320100134974572K
3. Address: No. 7, Jingtian Road, Nanjing Economic and Technological Development Zone
4. Type: stock limited company (joint venture and listed in Taiwan, Hong Kong and Macao)
5. Stock code: 600775 (A share), 00553 (H share)

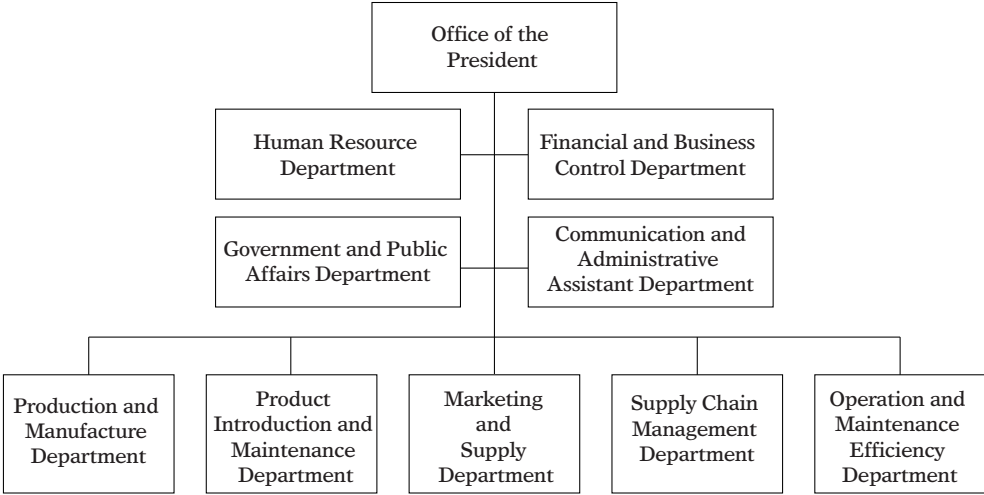
6. Legal representative: Hu Huichun
7. Registered capital: RMB913,838,529
8. Date of incorporation: 5 October 1996
9. Term of operation: long term
10. Scope of business: development, manufacture and sale of wireless broadcast television transmitting equipment, together with the after service and technology service; developing, manufacturing and sale of communication equipment, computer and other electronics devices; instrumentation and cultural and office machinery; electronic apparatus and equipment; plastic products; draught fan, weighing apparatus, package equipment and general equipment; processing equipment of chemical engineering, wood and non-metal; PTD and control equipment; environment-friendly, social public security products and etc.; financial and tax-control devices; power products; moulds; computing industry, software industry, system integration; property management; together with the after service and technology service. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments) General projects: technology import and export; goods import and export (Except for projects subject to approval according to law, business activities are independently carried out according to law with the business license)

(II) Brief introduction of the appraised entity:

1. Name: Ericsson Panda Communication Co., Ltd.
2. Unified social credit identifier: 91320115608916842L
3. Type of enterprise: limited liability company (Sino-foreign joint venture)
4. Registered capital: USD20,900,000
5. Registered address: No. 32, Chitian Road, Moling Sub-district, Jiangning District, Nanjing (Jiangning Development Zone)
6. Legal representative: Carl Jonas Ygeby
7. Date of incorporation: 15 September 1992

8. Term of operation: from 15 September 1992 to 14 September 2025
9. Scope of business: manufacture, installation and sale of cellular mobile telephone products and communication system equipment and accessories, and provision of after-sales services; contracting of overseas electromechanical projects and domestic international bidding projects; export of equipment and materials required for the above-mentioned overseas projects; dispatch of laborers required for the implementation of the above-mentioned overseas projects; and maintenance of domestic and overseas Ericsson mobile communication system products. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments)
10. Company profile:
 - (1) Ericsson Panda Communication Co., Ltd., established on 15 September 1992, is Ericsson's first Sino-foreign joint venture in China, with a registered capital of USD20,900,000 and located at No. 32, Chitian Road, Moling Sub-district, Jiangning District, Nanjing.
 - (2) The company focuses on the communication field and has diversified businesses, covering manufacturing, installation and sales of cellular mobile phone products, communication system equipment and its accessories, as well as providing after-sales and maintenance services, repairing Ericsson mobile communication system products both inside and outside the country; in addition, it contracts for overseas electromechanical projects and domestic international bidding projects, and carries out the business of exporting equipment and materials, and dispatching labor service personnel. After years of development, the company has become Ericsson's largest production and supply center in the world, with more than 1,000 employees, and plays a key role in Ericsson's global strategy.

11. Organizational structure:



As of 31 December 2024, Ericsson Panda Communication Co., Ltd. had nine departments, namely Human Resource Department, Financial and Business Control Department, Government and Public Affairs Department, Communication and Administrative Assistant Department, Production and Manufacture Department, Product Introduction and Maintenance Department, Marketing and Supply Department, Supply Chain Management Department and Operation and Maintenance Efficiency Department, with a total of 1,717 employees.

12. Historical development

- (1) On 3 September 1992, Ericsson Wireless Systems Co., Ltd. (愛立信無線系統有限公司) and Nanjing Radio Factory entered into a joint venture contract in Nanjing, and the two parties jointly financed the formation of a joint venture company on 15 September 1992, which was named Nanjing Ericsson Communication Co., Ltd. (南京愛立信通信有限公司) and operated for a period of thirty years with a registered capital of USD6,700,000. The shareholding structure of Nanjing Ericsson Communication Co., Ltd. at the time of its establishment was shown below:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Ericsson Wireless Systems Co., Ltd.	3,685,000.00	3,685,000.00	55%
2	Nanjing Radio Factory	<u>3,015,000.00</u>	<u>3,015,000.00</u>	<u>45%</u>
	Total	<u>6,700,000.00</u>	<u>6,700,000.00</u>	<u>100%</u>

- (2) Pursuant to the Amendment Agreement No. 2 to the Joint Venture Contract Concerning Nanjing Ericsson Communication Co., Ltd., on 31 December 1992, Ericsson Wireless Systems Co., Ltd., Nanjing Radio Factory and Yung Shing Enterprise (永興企業公司) entered into the Agreement Concerning the Transfer of Shares of Nanjing Ericsson Communication System Co., Ltd. (南京愛立信通信系統有限公司), and Yung Shing Enterprise became a shareholder of Nanjing Ericsson Communication Co., Ltd. In addition, on 31 March 1993, the registered capital of Nanjing Ericsson Communication Co., Ltd. was increased from USD6,700,000 to USD20,900,000. The shareholding structure of Nanjing Ericsson Communication Co., Ltd. after this capital increase was as follows:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Ericsson Wireless Systems Co., Ltd.	10,868,000.00	10,868,000.00	52%
2	Nanjing Radio Factory	9,405,000.00	9,405,000.00	45%
3	Yung Shing Enterprise	<u>627,000.00</u>	<u>627,000.00</u>	<u>3%</u>
	Total	<u>20,900,000.00</u>	<u>20,900,000.00</u>	<u>100%</u>

- (3) On 24 December 1995, pursuant to the Amendment Agreement No. 4 to the Joint Venture Contract Concerning Nanjing Ericsson Communication Co., Ltd., Ericsson Wireless Systems Co., Ltd. transferred its 52% equity interest in Nanjing Ericsson Communication System Co., Ltd. to Sweden Ericsson Company Limited (瑞典愛立信有限公司) (Ericsson Wireless Systems Co., Ltd. is a wholly-owned subsidiary of Sweden Ericsson Company Limited), after which Sweden Ericsson Company Limited transferred its 1% equity interest

in Nanjing Ericsson Communication System Co., Ltd. to Jiangsu Provincial Postal Administration; Nanjing Radio Factory transferred its 45% equity interest in Nanjing Ericsson Communication System Co., Ltd. to Nanjing Panda Electronics Company Limited, after which Nanjing Panda Electronics Company Limited transferred its 2% equity interest in Nanjing Ericsson Communication System Co., Ltd. to Jiangsu Provincial Postal Administration. The shareholding structure of Nanjing Ericsson Communication System Co., Ltd. after this change was set out below:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Sweden Ericsson Company Limited	10,659,000.00	10,659,000.00	51%
2	Nanjing Panda Electronics Company Limited	8,987,000.00	8,987,000.00	43%
3	Yung Shing Enterprise	627,000.00	627,000.00	3%
4	Jiangsu Provincial Postal Administration	627,000.00	627,000.00	3%
	Total	20,900,000.00	20,900,000.00	100%

- (4) On 1 July 2000, pursuant to the Amendment Agreement No. 5 to the Joint Venture Contract Concerning Nanjing Ericsson Communication Co., Ltd., Sweden Ericsson Telecommunication Co., Ltd. (瑞典愛立信電信有限公司) (formerly known as Sweden Ericsson Company Limited) transferred its 10% equity interest in Nanjing Ericsson Communication System Co., Ltd. to Ericsson (China) Company Limited. At the same time, Nanjing Ericsson

Communication System Co., Ltd. was renamed Ericsson Panda Communication Co., Ltd. The shareholding structure of Ericsson Panda after this change was as follows:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Sweden Ericsson Company Limited	8,569,000.00	8,569,000.00	41%
2	Ericsson (China) Company Limited	2,090,000.00	2,090,000.00	10%
3	Nanjing Panda Electronics Company Limited	8,987,000.00	8,987,000.00	43%
4	Yung Shing Enterprise	627,000.00	627,000.00	3%
5	Jiangsu Provincial Postal Administration	627,000.00	627,000.00	3%
	Total	20,900,000.00	20,900,000.00	100%

- (5) On 23 January 2022, in accordance with the Amendment No. 6 to the Articles of Association of Ericsson Panda Communication Co., Ltd., the shareholding of Ericsson Panda was changed as follows:

Before change

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Sweden Ericsson Telecommunication Co., Ltd.	8,569,000.00	8,569,000.00	41%
2	Ericsson (China) Company Limited	2,090,000.00	2,090,000.00	10%
3	Nanjing Panda Electronics Company Limited	8,987,000.00	8,987,000.00	43%
4	Yung Shing Enterprise	627,000.00	627,000.00	3%
5	Jiangsu Provincial Postal Administration	627,000.00	627,000.00	3%
	Total	20,900,000.00	20,900,000.00	100%

After change

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Sweden Ericsson Telephone Co., Ltd. (瑞典愛立信電話有限公司) (formerly known as Sweden Ericsson Telecommunication Co., Ltd.)	5,225,000.00	5,225,000.00	25%
2	Ericsson (China) Company Limited	5,434,000.00	5,434,000.00	26%
3	Nanjing Panda Electronics Company Limited	5,643,000.00	5,643,000.00	27%
4	China Putian Corporation Co., Ltd. (中國普天信息產業集團公司)	4,180,000.00	4,180,000.00	20%
5	Yung Shing Enterprise	418,000.00	418,000.00	2%
	Total	20,900,000.00	20,900,000.00	100%

- (6) On 4 June 2004, pursuant to the Amendment Agreement No. 8 to the Joint Venture Contract of Ericsson Panda Communication Co., Ltd., China Putian Corporation Co., Ltd. transferred its 20% equity interest in Ericsson Panda to China Putian Corporation Co., Ltd. The shareholding structure of Ericsson Panda after this change was as follows:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Sweden Ericsson Telephone Co., Ltd. (formerly known as Sweden Ericsson Telecommunication Co., Ltd.)	5,225,000.00	5,225,000.00	25%
2	Ericsson (China) Company Limited	5,434,000.00	5,434,000.00	26%
3	Nanjing Panda Electronics Company Limited	5,643,000.00	5,643,000.00	27%
4	China Putian Corporation Co., Ltd.	4,180,000.00	4,180,000.00	20%
5	Yung Shing Enterprise	418,000.00	418,000.00	2%
	Total	20,900,000.00	20,900,000.00	100%

- (7) On 27 July 2006, pursuant to the Amendment Agreement No. 10 to the Articles of Association of Ericsson Panda Communication Co., Ltd., Sweden Ericsson Telephone Company (瑞典愛立信電話公司) (formerly known as Sweden Ericsson Telephone Co., Ltd.) transferred its 25% equity interest in Ericsson Panda to Ericsson (China) Company Limited. The shareholding structure of Ericsson Panda after this change was as follows:

Unit: USD

No.	Shareholder	Registered capital	Paid-in capital	Shareholding
1	Ericsson (China) Company Limited	10,659,000.00	10,659,000.00	51%
2	Nanjing Panda Electronics Company Limited	5,643,000.00	5,643,000.00	27%
3	China Putian Corporation Co., Ltd.	4,180,000.00	4,180,000.00	20%
4	Yung Shing Enterprise	418,000.00	418,000.00	2%
	Total	20,900,000.00	20,900,000.00	100%

- (8) On 15 August 2022, pursuant to the Amendment Agreement No. 13 to the Joint Venture Contract of Ericsson Panda Communication Co., Ltd., the term of Ericsson Panda's operation was extended for three years to terminate on 14 September 2025.

- (9) On 15 August 2023, pursuant to the Amendment No. 14 to the Articles of Association of Ericsson Panda Communication Co., Ltd., China Putian Corporation Co., Ltd. transferred its 20% equity interest in Ericsson Panda to CETC Asset Management Co., Ltd. The shareholding structure of Ericsson Panda after this change was as follows:

No.	Shareholder	Registered capital	Contribution ratio	Paid-in capital	Paid-in ratio
1	Ericsson (China) Company Limited Nanjing Panda Electronics Company	USD10,659,000	51%	USD10,659,000	51%
2	Limited	USD5,643,000	27%	USD5,643,000	27%
3	CETC Asset Management Co., Ltd.	USD4,180,000	20%	USD4,180,000	20%
4	Yung Shing Enterprise	USD418,000	2%	USD418,000	2%
	Total	USD20,900,000	100%	USD20,900,000	100%

As at the valuation benchmark date, there was no change in the shareholding structure of Ericsson Panda.

13. State of operation

The key asset operating data of Ericsson Panda for 2022, 2023 and the valuation benchmark date are as follows:

Unit: RMB0'000

Item	31 December 2022	31 December 2023	31 December 2024
Total assets	385,526.92	279,537.51	265,629.45
Total liabilities	300,291.78	184,662.27	163,505.76
Net assets	85,235.14	94,875.24	102,123.70
Item	2022	2023	2024
Operating income	555,165.49	477,553.31	337,611.15
Total profit	15,227.90	13,144.11	9,553.42
Net profit	11,246.82	9,640.10	7,248.46

The above financial data are derived from the adjusted pro forma financial statements provided by Ericsson Panda and Nanjing Panda, the client, of which:

The financial statements for the year 2022 have been audited by Deloitte Touche Tohmatsu CPA LLP Nanjing Branch and a standard unqualified audit report (De Shi Ning Bao (Shen) Zi (23) No. P00004) has been issued.

The financial data for the years 2023 and 2024 are unaudited and represent adjusted pro forma financial statements provided by the client.

Based on the pro forma statements and adjusting entries provided by the client, the client, Nanjing Panda, in view of the fact that Ericsson Panda is basically certain that the special tax adjustment amount paid by Ericsson Panda will not be unable to obtain the full amount of the refund due to the revocation or withdrawal of the MAP, Nanjing Panda made adjustments to the financial statements of Ericsson Panda for the year 2023 and the valuation benchmark date of 31 December 2024, and recorded the remaining amount of RMB1,276,824,958.05 in “other non-current assets” for the special tax adjustments and interest. Meanwhile, the income tax involved in recognizing the gain from the refund of special tax received in the previous period was reversed, and other current assets and tax payable were also adjusted.

14. Major accounting policies

The company implements the Accounting Standards for Business Enterprises.

15. Tax policies and standards implemented

Tax type	Statutory tax rate
	<i>%</i>
Value-added tax	6, 9, 13
Urban maintenance and construction tax	7
Enterprise income tax	25
Education surcharge	3
Local education surcharge	2

Tax preference:

According to the Notice of the State Taxation Administration on the Issuance of the Operating Procedures for the Administration of “Tax Exemption, Credit and Refund” for Export Goods of Manufacturing Enterprises (for Trial Implementation), Ericsson Panda’s export products are subject to the “Tax Exemption, Credit and Refund” method, except for the exported products of mobile base communication station, which are subject to a tax rebate rate of 13%, and the tax rebate rates for other products are 9% and 5%.

16. Relationship between the client and the appraised entity

The client, Nanjing Panda, is the shareholder of Ericsson Panda, the appraised entity, holding 27% equity interest in Ericsson Panda.

II. PURPOSE OF VALUATION

Nanjing Panda intends to dispose of 27% equity interest in Ericsson Panda, and hereby values the market value of all shareholders’ equity in Ericsson Panda as at the valuation benchmark date involved in this economic activity, to provide a value reference basis for this economic activity.

III. VALUATION TARGET AND SCOPE OF VALUATION

- (I) In accordance with the purpose of valuation, the valuation target is the value of the pro forma adjusted all shareholders’ equity value of Ericsson Panda.
- (II) Based on the purpose of valuation and the above valuation target, the scope of valuation is the pro forma adjusted entire assets and liabilities of Ericsson Panda as of the valuation benchmark date.

According to the adjusted balance sheet and valuation return of Ericsson Panda provided by Nanjing Panda, the book value of total assets of Ericsson Panda as at the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000.

The type of assets and book composition of Ericsson Panda included in the valuation are as follows:

Unit: RMB0'000

Item	Book value
Current assets	115,851.23
Non-current assets	149,778.22
Including: Long-term equity investments	
Investment properties	168.44
Fixed assets	13,930.22
Construction in progress	3,814.18
Oil and gas assets	
Intangible assets	434.04
Deferred tax assets	3,748.85
Other non-current assets	127,682.50
	<hr/>
Total assets	265,629.45
	<hr/> <hr/>
Current liabilities	163,505.76
Non-current liabilities	<hr/>
	<hr/>
Total liabilities	163,505.76
	<hr/> <hr/>
Net assets	102,123.70
	<hr/> <hr/>

1. Status of physical assets:

Physical assets mainly include inventories, buildings, machinery and equipment, vehicles and electronic equipment. Inventories mainly consist of raw materials, products in process and finished products, all of which are placed in the warehouse; buildings include office buildings, production workshops, warehouses, etc. in the Jiangning plant; investment properties are part of the office areas for external rent; machinery and equipment mainly consist of production line equipment and product testing equipment, all of which are located in the production workshop; vehicles are transportation vehicles in the plant, all of which are located in the plant; electronic equipment mainly consists of office furniture, computers, etc., all of which are located in the office area.

2. Type and quantity of off-balance sheet assets declared by the enterprise:

The off-balance sheet assets declared by the enterprise are intangible assets, including 75 software copyrights and 13 websites, all of which are within the validity period as of the valuation benchmark date.

(III) Consistency of the valuation target and scope of valuation with those involved in the economic activity

The valuation target and scope of valuation are consistent with those involved in the economic activity.

(IV) Reference to or citation of matters involved in other due diligence reports

None.

IV. TYPE OF VALUE

According to the purpose of valuation and the specific valuation target, the market value type was adopted for the valuation.

Market value refers to the estimated amount of value of a normal and arm's-length transaction made by the valuation target as at the valuation benchmark date under the circumstances where the voluntary buyer and the voluntary seller acts rationally and without any imposition.

The market value type was selected because the purpose of valuation, valuation target, and other valuation fundamentals of this valuation meet the requirements of the market value definition.

V. VALUATION BENCHMARK DATE

The valuation benchmark date agreed upon in the valuation engagement contract is 31 December 2024.

The selection of this benchmark date is based on the proximity of this date to the expected realization of the purpose of valuation, to ensure that the valuation results effectively serve the purpose of valuation and to minimize and avoid adjustments after the valuation benchmark date that would have a significant impact on the valuation results.

The prices used in this valuation are the price standards in effect on the valuation benchmark date.

VI. BASIS OF VALUATION**(I) Legal and regulatory bases**

1. Civil Code of the People's Republic of China (《中華人民共和國民法典》);
2. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》);
3. Notice on Several Issues Concerning the National Implementation of the Reform of Value-added Tax Transformation (《關於全國實施增值稅轉型改革若干問題的通知》) (Ministry of Finance and State Taxation Administration; Cai Shui [2008] No. 170);
4. Notice on Comprehensive Implementation of the Pilot Program for Replacing Business Tax with Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Ministry of Finance and State Taxation Administration; Cai Shui [2016] No. 36);
5. Other laws, regulations and rules related to valuation work.

(II) Basis of ownership

1. Real estate ownership certificate;
2. Other contracts, legal documents and other information relating to the acquisition and use of business assets.

(III) Pricing basis

1. Historical operating data of Ericsson Panda;
2. Information known and collected by the valuer's market research;
3. Notice of the People's Bank of China on the issuance of the Guidance on Provisioning for Bank Loan Losses (《銀行貸款損失準備計提指引》);

4. Other relevant information.

(IV) Other references

1. Ericsson Panda's financial statements for prior years and as of the valuation benchmark date;
2. WIND relevant data;
3. Other relevant information.

VII. VALUATION METHOD

(I) Selection of valuation method

The valuation appropriately selects one or more valuation basic methods by giving due consideration to the purpose of valuation and the type of value, the valuation target, the conditions applicable to the valuation methods, the quality and quantity of data on which the valuation methods are applied and other factors affecting the selection of valuation methods.

Three basic valuation methods, namely the income approach, the market approach and the asset-based approach, may be adopted for the valuation of the enterprise value. After the analysis conducted by the valuer and in conjunction with the background of this project, the income approach and the market approach have been adopted for the valuation of Ericsson Panda's all shareholders' equity.

The specific analysis is as follows:

The asset-based approach requires one-by-one inventory, verification and estimation of assets and liabilities, and requires complete access to information such as asset acquisition contracts, original invoices, project finalization reports, cost settlement statements, etc., which are used as the basis for accurately determining the historical cost of assets, accumulated depreciation, the rate of newness and other key parameters. As the enterprise has always been held by foreign capital, there are certain differences between the enterprise and the PRC in terms of relevant bookkeeping and management, the relevant cost settlement and other information could not be obtained, and it was not possible to use the asset-based approach for estimation.

Based on our understanding of the nature of the business, asset size, historical operations, predictability of future earnings, and adequacy of the valuation information obtained for the appraised entity, as well as our research and analysis of the relevant industry and market on which it is based, we believe that the company has predictable and sustainable operating ability and profitability in future periods and is qualified for valuation using the income approach.

According to our understanding of the industry type and main business of the appraised entity, there are comparable cases of similar transactions in the capital market; there are more individuals in the listed companies of this type of company that can be matched with the appraised entity in terms of the direction of operation, asset size, scale of operation and other factors, which can satisfy the conditions for valuation under the market approach, and therefore have the conditions for valuation using the market approach.

As a result of the above analysis, the market approach and income approach were adopted for valuation.

(II) Introduction to the market approach

The market approach is a method to determine the value of the valuation target by comparing the valuation target with reference enterprises, enterprises with existing trading cases in the market, shareholders' equity, securities and other equity assets. Two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

Comparable enterprises in the listed company comparison method should be listed companies that are normally traded on the open market, and the valuation conclusion shall consider the impact of liquidity on the value of the valuation target.

The transaction case comparison method refers to the specific method of obtaining and analyzing information on the sale, acquisition and merger cases of comparable enterprises, calculating appropriate value ratios, and determining the value of the valuation target on the basis of comparison and analysis with the enterprise being valued. When applying the transaction case comparison method, the impact of the difference between the valuation target and the transaction case on the value shall be considered.

Compared with the transaction case comparison method, the listed company comparison method has been adopted in more cases in valuation practice. This is mainly due to the listed company comparison method of the market trading price data from the listed company's stock trading price, the comparison company are listed companies, the transaction price is easy to obtain and compare the company's financial data information is also relatively easy

to obtain, because the listed company's annual report, the interim report need to be regularly announced, and listed companies need to disclose other important matters, which is for the valuation of more comprehensive understanding of the comparison company provides a guarantee. This provides a guarantee for valuers to have a more comprehensive understanding of the comparison company.

In contrast, the transaction case method does not have such conditions, the public channels in the property rights trading market can only obtain some basic information of some transaction cases, and it is difficult to obtain the financial data of the transaction cases in general, and the financial data of the transaction cases is crucial to the valuation, and it is not easy for the valuers to collect the financial data of some unlisted companies. Due to the above reasons, the practical application of the transaction case comparison method is limited.

Therefore, the listed company comparison method is selected for this valuation, and the value ratio is PE (price-earnings multiple) in combination with the nature of the enterprise. The basic steps of the listed company comparison method are as follows:

1. *Selection of comparable enterprises*

Screen the listed enterprises in the stock market to identify suitable reference enterprises. Conduct detailed research, analysis and comparison of the specifics of the reference enterprises and their business situations in order to select comparable reference enterprises.

2. *Analyzing and adjusting financial statements*

Analyze the business and financial situation of the selected reference enterprise, compare and analyze it with the situation of the valued enterprise, and make necessary adjustments. Firstly, collect financial information of the reference enterprise, such as industry statistics, annual reports of listed companies, research reports of research institutions, etc. Analyze and adjust the above business and financial information obtained from public channels, so as to make the financial information of the reference enterprise as accurate and objective as possible, and make it comparable with the financial information of the valued enterprise.

3. *Selection, calculation and adjustment of value ratios*

After analyzing and adjusting the financial data of the reference enterprise, it is necessary to select appropriate value ratios and make necessary analyses and adjustments to the value ratios based on the above work.

4. *Applying value ratios*

Based on the price-earnings ratio of each comparable enterprise, through the analysis of the financial ratio indicators of the comparable enterprises, the corresponding financial indicators of the appraised entity were compared and adjusted with the comparable enterprises one by one to arrive at the price-earnings ratio adjusted on the basis of the price-earnings ratios of each comparable enterprise, and the price-earnings ratio interval of the appraised entity was determined after a comprehensive analysis and was then multiplied by the net operating profit of the appraised entity as at the valuation benchmark date, to arrive at the market value range of all shareholders' equity of the appraised entity (before taking into account the discount for lack of marketability and control premium).

5. *Discount for lack of marketability*

As the comparable company is a listed company and the appraised entity is an unlisted company, it is necessary to take into account the discount for lack of marketability in calculating all shareholders' equity value of the appraised entity, i.e., the valuation of all shareholders' equity value of the appraised entity is arrived at by deducting the discount for lack of marketability on the basis of the market value before taking into account the discount for lack of marketability.

(III) Introduction to the income approach

The income approach refers to the valuation method that determines the value of a valuation target by capitalizing or discounting its expected income.

1. *Basic valuation ideas*

The income approach to business valuation is a valuation method that determines the value of a valuation target by capitalizing or discounting its expected income of the appraised entity. Expected income in the income approach can be expressed in terms of cash flow, various forms of profit or cash dividends, etc. After analysis, the expected income in the income approach is expressed in terms of cash flow, i.e., the discounted cash flow (DCF) method.

Discounted cash flow (DCF) method is a method to estimate the value of an enterprise by discounting the expected future cash flows of the enterprise to the present value, i.e., the value of the enterprise is obtained by estimating the expected future cash flows of the enterprise and adopting an appropriate discount rate to discount the expected cash flows to the present value.

2. Valuation model

(1) Basic model

The basic model for this valuation is:

$$E = B - D$$

Where: E: all shareholders' equity value of the valuation target

B: enterprise value of the valuation target

D: the value of interest-paying debt of the valuation target

Where: $B = P + \sum C_i + Q$

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)_i} + \frac{R_{n+1}}{r(1+r)^n}$$

Where: P: the value of operating assets of the valuation target

$\sum C_i$: the value of surplus and non-operating net assets of the valuation target as of the valuation benchmark date

Q: appraised value of long-term equity investment of the valuation target

R_i: expected income in year i of the forecast period, and the caliber of income of this valuation is the free cash flow of the enterprise

R_{n+1}: expected return for the nth year to perpetuity in the future

r: discount rate

n: income forecast period

(2) *Income indicators*

For this valuation, enterprise free cash flow is used as the income indicator for operating assets, which is basically defined as:

Enterprise free cash flow = net profit after tax + depreciation and amortization + interest on interest-bearing debt after deduction of tax – capital expenditures – changes in net working capital

(3) *Forecast period*

This valuation assumes that the duration of the enterprise is perpetual, using the segmentation method to predict the future earnings of the enterprise, that is, the future earnings are divided into a clear forecast of the earnings of the period and a clear forecast of the earnings of the period after the period, of which for the determination of a clear forecast of the period of the comprehensive consideration of the industry product cyclicity and the development of the enterprise, according to the valuers of the market research and forecast, five years is more appropriate.

(4) *Discount rate*

The valuation of the weighted average cost of capital model (WACC) to determine the discount rate r

$$r = (1 - t) \times Kd \times Wd + Ke \times We$$

Where: t : income tax rate

Wd : debt ratio of the valuation target;

Kd : cost of debt capital;

We : equity capital ratio of the valuation target;

Ke : cost of equity capital, determined by the capital asset pricing model (CAPM);

$$Ke = Rf + MRP \times \beta + Rc$$

Where: R_f : risk-free rate of return;

MRP: market expected rate of return;

β : expected market risk factor of the equity capital of the valuation target;

R_c : specific risk adjustment coefficient of the valuation target.

VIII. VALUATION PROCEDURES

Beijing Zhongtianhua Asset Appraisal Co., Ltd. (hereinafter referred to as “we”) conducted a valuation of the assets and liabilities involved in the valuation target. The main valuation procedures were implemented as follows:

(1) Clarify preliminary items and accept the valuation request

Communicate with the client to clarify basic valuation items such as the purpose of the valuation, the valuation target, the valuation scope, and the valuation benchmark date, reach an agreement on the rights and obligations of all parties, and sign the “Asset Valuation Business Entrustment Contract”.

(2) Conduct interviews and communication, and launch investigations

Analyze the valuation target, obtain the information necessary for the valuation business, understand the current status of the valuation target, and pay attention to the legal ownership of the valuation target.

(3) Collect and organize valuation information

The valuation personnel collect valuation-related materials based on the specific circumstances of the valuation project, including materials provided by the client or other relevant parties regarding the valuation target and scope, as well as other materials obtained from government departments, various professional institutions, and the market. The collected materials are subject to necessary analysis, summarization, and organization to form the basis for the valuation estimation.

(4) Valuation Assessment and Issuance of Valuation Report

Valuation professionals analyze, calculate, and make judgments based on the specific circumstances of various types of assets and the selected valuation methods, formulas, and parameters. After assessing and estimating the valuation conclusions, they prepare a preliminary valuation report. The report shall be reviewed in accordance with the Company's internal valuation report review system and procedures. Without affecting the independent judgment of the valuation conclusions, the valuer shall communicate with the client on the contents of the valuation report, conduct an independent analysis of the communication, and decide whether to adjust the valuation report. A final valuation report shall then be issued.

IX. VALUATION ASSUMPTIONS AND LIMITING CONDITIONS**(I) General assumptions****1. Transaction Assumptions**

It is assumed that all valuation targets are already in the process of being traded, and valuation professionals simulate the market based on the trading conditions of the assets being valued.

2. Open market assumption

It refers to assets that can be freely traded in a fully competitive market, and their prices are determined by the independent valuation of the assets by buyers and sellers in a given market.

3. Going concern assumption

It assumes that the business activities of an operating entity can continue and that the entity's business activities will not be suspended or terminated in the foreseeable future. Therefore: Based on the operating period stated in the business license of the appraised entity, Ericsson Panda's operating period expires on 14 September 2025. However, according to the board of directors' statement of Ericsson Panda, the operating period has been extended to 15 March 2026. This valuation assumes that the operating period of the entity can be extended smoothly and that it can continue its operations after the expiration of the operating period.

(II) Special assumptions

1. It is assumed that there will be no significant changes in the relevant laws, regulations, and policies of the country, the macroeconomic situation of the country, or the political, economic, and social environment of the regions where the parties to the transaction are located.
2. It is assumed that the Company's operators are responsible and that the Company's management is capable of performing their duties.
3. It is assumed that the cash inflows and outflows of the appraised entity after the valuation benchmark date will be uniform.
4. Unless otherwise specified, it is assumed that the Company fully complies with all relevant laws and regulations.
5. It is assumed that the accounting policies to be adopted by the Company in the future will be consistent in all material respects with the accounting policies used in the preparation of this report.
6. It is assumed that the Company will maintain its current scope of business and operating methods consistent with its current management approach and management level.
7. It is assumed that there will be no significant changes in interest rates, exchange rates, tax bases and tax rates, policy-based levies, and other factors.
8. It is assumed that there will be no other force majeure or unforeseeable factors that could have a material adverse effect on the Company.
9. It is assumed that the market multiples used in the valuation process can reliably reflect the market's valuation expectations and risk preferences for the industry in which the appraised entity operates, and will not deviate significantly in the short term due to market fluctuations or unforeseen events.
10. In this estimate, we referred to and used the adjusted historical and valuation benchmark date simulated financial statements of Ericsson Panda provided by the client, as well as the financial reports and transaction data of comparable companies found in the Wind database. We assume that the above financial statement data and relevant transaction data are true and reliable.

11. In the simulated financial statements provided by the client for the valuation benchmark date of Ericsson Panda, there is an item classified as “other non-current assets” with the description “remaining special tax adjustment items,” dated 31 December 2016, with an amount of RMB1,276,824,958.05. In this valuation, based on the relevant information provided by Nanjing Panda, combined with the analysis and comprehensive judgment of Nanjing Panda, the appraised entity, the accountants, and the professional institutions, this valuation assumes that the aforementioned amount can be recovered at 40% of the remaining special tax adjustment amount. The valuation conclusion is based on this assumption.

Special attention is drawn to the users of this report that, in accordance with the requirements of valuation, the assumptions stated above are deemed to be valid as of the valuation benchmark date. The analysis, judgements, and conclusions in this valuation report are subject to the assumptions and limitations stated in this valuation report. If any of the above conditions change, the valuation conclusions will generally become invalid, and the valuation institution and valuation personnel will not be liable for any different valuation conclusions derived from changes in the assumptions.

X. VALUATION CONCLUSION

Adhering to the principles of independence, impartiality, professionalism, and objectivity, and employing established valuation procedures and fair methods, we have calculated the value of the assets included in the valuation scope of Ericsson Panda. Using the income approach and the market approach, we have arrived at the following valuation conclusions:

(I) Valuation result based on the income approach

Valuation result based on the income approach: the adjusted book value of total assets of Ericsson Panda as at the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000. All shareholders' equity value after valuation using the income approach was RMB445,110,000, with a valuation impairment of RMB576,127,000, representing an impairment rate of 56.41%.

(II) Valuation result based on the market approach

Valuation result based on the market approach: the adjusted book value of total assets of Ericsson Panda as at the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000. All shareholders' equity value after valuation using the market approach was RMB1,054,099,000, with an appreciation of RMB32,862,000, representing an appreciation rate of 3.22%.

(III) Formation of conclusion

Upon analysis, all shareholders' equity value calculated using the market approach, amounting to RMB1,054,099,000, better reflects the valuation of Ericsson Panda for the purposes of this valuation. The main reasons are as follows:

The appraised entity is a telecommunications equipment manufacturing company. When using the income approach to value all shareholders' equity value of Ericsson Panda, the valuation personnel, under the assumptions and limitations specified in the valuation report, analyzed its historical operating conditions and used cash flow calculations to determine the equity value of the shareholders based on the assumption that the existing model will continue to operate. Taking into account the characteristics of Ericsson Panda as a Sino-foreign joint venture, its business is affected by its operating period and relies on related party transactions, and it is greatly affected by domestic and international macroeconomic policy factors.

However, when calculating using the market approach, the appraisers fully analysed the market operating environment and the actual operating conditions of the target enterprise. The market approach is based on an analysis of the comprehensive impact on the value of the equity on the capital market on the base date, fully considering that the purpose of this valuation is an equity market transaction, and combined with the adjusted valuation of comparable companies, it can better reflect the premium of the public market on the valuation of the enterprise. Therefore, compared to the income approach valuation results, the market approach valuation results better reflect all shareholders' equity value of Ericsson Panda. Thus, selecting the market approach valuation results as the valuation conclusion for this valuation is reasonable.

Based on the above reasons, we believe that the valuation results obtained using the market approach are more consistent with the value characteristics of the valuation target corresponding to this economic activity, and the valuation result based on the market approach was adopted as the final valuation conclusion, i.e., all shareholders' equity value of Ericsson Panda was RMB1,054,099,000 (in words: One billion and fifty-four million and ninety-nine thousand yuan only).

XI. EXPLANATION OF SPECIAL MATTERS**(I) Items with significant impact on valuation conclusions**

1. In this valuation, we have referred to and used the adjusted simulated financial statements of Ericsson Panda for the year 2023 and the valuation benchmark date of 31 December 2024 provided by the client, Nanjing Panda, as well as the financial reports and transaction data of comparable companies found in the Wind database. Our valuation work relies heavily on the adjusted simulated financial statement data and transaction data of Ericsson Panda. We assume that the adjusted simulated financial statement data and relevant transaction data are true and reliable. Our valuation relies on the data in the adjusted simulated financial statements, and this does not constitute any guarantee by us regarding the accuracy or completeness of such financial information.
2. The client, Nanjing Panda, provided the Explanation of Special Tax Adjustments to the Pro Forma Financial Statements of Ericsson Panda Communication Co., Ltd. (《關於南京愛立信熊貓通信有限公司類比財務報表特別納稅調整事項的說明》) as follows:

(1) Overview of Special Tax Adjustment Items

In December 2015, after receiving a special tax adjustment notice issued by the State Taxation Bureau of Nanjing Jiangning Economic and Technological Development Zone, Ericsson Panda has paid approximately RMB1.424 billion in taxes and interest, and recorded the above amounts as other long-term assets, which did not have any impact on the profit or loss of Ericsson Panda and the Company. In 2016, Ericsson Panda and its Swedish shareholder Ericsson AB (hereinafter referred to as “EAB”) submitted a mutual agreement procedure (hereinafter referred to as “MAP”) to the competent authorities of Sweden and China. Ericsson Panda’s audit reports for each year show that Ericsson Panda has essentially determined that the special tax adjustment payments it has made will not be revoked or withdrawn as a result of the MAP, thereby ensuring the full refund of such payments. On 19 December 2023, Ericsson Panda’s management notified that the Swedish tax authorities have concluded the MAP and granted a relief compensation of RMB136 million. Ericsson Panda deducted the aforementioned tax payments and interest, totaling RMB136 million in relief compensation, and recorded the remaining RMB1.288 billion in current period profit or loss. However, this was done without obtaining the consent of Ericsson Panda’s Chinese shareholders, resulting in the 2023 audit report

for Ericsson Panda not being formally issued. On 30 October 2024, Ericsson Panda received a tax refund of RMB11 million from the Chinese tax authorities. As of the valuation benchmark date, the remaining amount of the special tax adjustment is RMB1.277 billion.

(2) *Status of Settlement of Special Tax Adjustment Amounts*

On 31 December 2015, Ericsson Panda received a special tax investigation adjustment notice (Notice No. Ning Jing Guo Shui Diao 20151001) (the “Notice”) from the State Taxation Bureau of Nanjing Jiangning Economic and Technological Development Zone. According to the Notice, Ericsson Panda’s related-party transactions during the investigation period violated the relevant provisions of the Enterprise Income Tax Law of the People’s Republic of China and the Tax Collection and Administration Law of the People’s Republic of China regarding special tax adjustments. As a result, Ericsson Panda is required to pay an additional enterprise income tax of RMB1,222,867,253 and interest of RMB201,373,815 in accordance with the relevant regulations, totaling RMB1,424,241,068 (this total amount is collectively referred to as the “special tax adjustment amount”). Ericsson Panda paid RMB200,000,000 in taxes on 30 December 2015, and paid the remaining taxes and interest of RMB1,224,241,068 on 11 and 13 April 2016.

(3) *Initiation of the MAP process and major developments*

On 2 March 2016, EAB and Ericsson Panda signed a memorandum of understanding, in which EAB confirmed that, as the party actually responsible for the related party transactions with Ericsson Panda, it would, based on the results of the mutual agreement procedure, return to Ericsson Panda the amounts agreed upon by the Swedish and Chinese tax authorities through the mutual agreement procedure, and that the Swedish tax authorities would pay the tax refund to EAB. The adjusted amounts determined through the mutual agreement procedure will be refunded to Ericsson Panda through the Chinese tax authorities.

At the 58th board meeting of Ericsson Panda held on 15 March 2016, the director dispatched by Nanjing Panda was informed by Ericsson Panda’s management that EAB and Ericsson Panda would submit an application for mutual agreement procedure (MAP) in accordance with the double taxation agreement between China and Sweden. The Chinese shareholders have consistently emphasized that the bilateral consultation under the MAP should be regarded as EAB’s risk rather than Ericsson Panda’s.

On 16 June 2016, EAB applied for mutual agreement procedure under the double taxation agreement between the Government of the People's Republic of China and the Government of the Kingdom of Sweden. The Swedish Competent Authority (SCA) initiated the MAP with the Chinese Competent Authority (CNCA) on 1 February 2017. The Chinese Competent Authority confirmed to the SCA on 3 February 2017 that it had received the initiation of the MAP.

According to information provided by Ericsson Panda's management, during the period from the initiation of the MAP until the termination of the MAP by the Swedish competent authority, there were no significant changes or substantial progress in the mutual agreement procedure. Nanjing Panda also did not learn through other channels of any significant changes or substantial progress in the MAP during the aforementioned period.

According to information provided by Ericsson Panda's management, on 12 December 2023, the Swedish authorities made a unilateral decision to terminate the MAP and granted a relief compensation of RMB136 million.

(4) *Specific basis for accounting treatment of related taxes*

As of the date of the financial statements for the fiscal years ending 2015 through 2022, the mutual agreement procedure had been initiated but not yet completed. Ericsson Panda is unable to determine the outcome or completion date of the mutual agreement procedure. Ericsson Panda has reasonably determined that the special tax adjustment payments made by Ericsson Panda will not be subject to full refund from EAB and the Chinese tax authorities due to the eventual withdrawal or revocation of the mutual agreement procedure. Based on Ericsson Panda's audited financial statements and audit report for the 2015 fiscal year, Ericsson Panda recorded the aforementioned special tax adjustment and interest under "Other Long-Term Assets." Based on Ericsson Panda's audited financial statements and audit report for the 2020 fiscal year, the aforementioned "Other Long-Term Assets" account was reclassified to "Other Non-Current Assets," and this classification has been maintained through Ericsson Panda's audited financial statements and audit report for the 2022 fiscal year.

(5) Adjustments to the pro forma financial statements for this valuation

For this valuation, the client, Nanjing Panda, based on the fact that Ericsson Panda has essentially confirmed that the special tax adjustment payments it made will not result in the inability to obtain a full refund due to the revocation or withdrawal of the MAP, Nanjing Panda has adjusted the financial statements of Ericsson Panda for the year 2023, and the valuation benchmark date of 31 December 2024. The remaining amount of the special tax adjustment and interest, totaling RMB1,276,824,958.05, has been recorded under “other non-current assets”.

3. Explanation of the impact of the above unresolved issues on the valuation

In the simulated financial statements provided by the client for the valuation benchmark date of Ericsson Panda, there is an item classified as other non-current assets with the description “remaining special tax adjustment items,” which occurred on 31 December 2016 and amounts to RMB1,276,824,958.05. Given the following circumstances: (1) The 2023 financial statements prepared by Ericsson Panda and the 2023 audit report issued by Nanjing Branch of Deloitte Touche Tohmatsu Certified Public Accountants LLP have fully provisioned for credit impairment losses on the aforementioned other non-current assets; however, approval from the Chinese shareholders of Ericsson Panda has not been obtained, resulting in the 2023 audit report for Ericsson Panda not being formally issued. (2) The client, Nanjing Panda, has fully provisioned for impairment on its long-term equity investment in Ericsson Panda in its 2023 financial statements. The primary reason is that Nanjing Panda has fully considered the significant uncertainty regarding the recovery of other non-current assets by ENC, which is likely to have a material impact on the long-term equity investment. In accordance with the principle of prudence, the long-term equity investment in ENC has been fully provisioned for impairment. (3) According to the relevant opinions issued by professional institutions: ① According to the relevant provisions of laws and regulations, the taxpayer subject to special tax adjustments is the corporate income tax payer, i.e., ENC itself. The articles of association of ENC also do not stipulate the tax obligations of Ericsson China or EAB. ② Based on the email response from the then-chairman of ENC to the Chinese shareholders and the minutes of ENC’s 58th meeting, the transfer pricing adjustments related to transactions with Ericsson are the responsibility of Ericsson. ③ In December 2023, EAB requested that the remaining portion be borne by ENC. Subsequently, despite ongoing communication, negotiation, and consultation between Nanjing Panda and the management of ENC and the directors of Ericsson regarding the special tax adjustment matters of ENC, there remains legal uncertainty as to whether EAB will ultimately assume the remaining portion of the special tax adjustment of ENC, and there is a risk

that ENC may recover the remaining portion of the special tax adjustment. According to relevant laws and regulations, the taxpayer subject to the special tax adjustment is the corporate income tax taxpayer, i.e., ENC itself.

This valuation is based on the relevant information provided by Nanjing Panda. Taking into account the analyses and valuations provided by Nanjing Panda, accountants, and professional institutions, as well as the comprehensive judgment of the valuation personnel, this valuation assumes that the aforementioned amounts can be recovered at 40% of the remaining special tax adjustment amounts. The valuation conclusion is derived on this basis. If the actual recoverable amount of the asset changes after the valuation report date, the valuation conclusion should be adjusted accordingly.

4. According to the business license of the appraised entity, Ericsson Panda's business term expires on 14 September 2025. However, according to a statement issued by Ericsson Panda's board of directors, the business term has been extended to 15 March 2026. This valuation assumes that the business term will be extended smoothly upon expiration and that the entity will continue to operate. The valuation conclusion is based on the assumption that the entity will continue to operate.

(II) Important circumstances for using other due diligence reports

None.

(III) Significant subsequent events

Not found.

(IV) Other matters to be explained

1. The scope of this valuation and the data, reports, and related materials provided by the client and the appraised entity are the responsibility of the client and other relevant parties for their authenticity, completeness, and legality. The client and the appraised entity are legally responsible for the authenticity, legality, and completeness of the relevant ownership certificates and related materials provided by the appraised entity involved in the valuation report.
2. For any changes in the quantity of assets or pricing standards after the valuation benchmark date, the client shall fully consider such changes and make corresponding adjustments when determining the actual valuation of the assets.

3. Among the off-balance sheet intangible assets reported by Ericsson Panda, there are 13 websites that have not obtained the relevant certificates. Ericsson Panda has confirmed that all assets within the scope of the valuation are owned by it. This valuation does not consider the impact of this matter on the valuation results.
4. We have obtained Ericsson Panda's profit forecast confirmed by the client, which is one of the main bases for the income approach in this valuation report. We have conducted the necessary investigation, analysis, and judgment of Ericsson Panda's profit forecast and accepted the relevant data of the profit forecast. Our use of Ericsson Panda's profit forecast is not a guarantee of Ericsson Panda's future profitability.

Users of valuation reports are advised to pay attention to special issues.

XII. RESTRICTIONS ON USE OF VALUATION REPORT

1. The conclusions of this report are valid solely for the valuation purposes and uses specified in this valuation report. Additionally, the valuation conclusions in this report reflect the current fair market value of the valuation target determined in accordance with the principles of the open market for the purposes of this valuation. The conclusions do not take into account the impact on asset prices of future mortgages, guarantees, or additional payments that may be made by special transaction parties, nor do they consider the impact of changes in national macroeconomic policies or the impact of natural forces or other force majeure events on asset prices. If the aforementioned conditions or other circumstances, including the going concern principle followed in the valuation, change, the valuation conclusions generally become invalid. The valuation institution and its valuation professionals shall not be liable for any legal responsibility arising from the invalidity of the valuation results due to such changes in conditions.
2. If the client fails to use the valuation report in accordance with the provisions of laws, administrative regulations, or the scope of use specified in the valuation report, the valuation institution and its valuation personnel shall not be liable.
3. Except for the client, other valuation report users specified in the valuation services engagement contract, and valuation report users prescribed by laws and administrative regulations, no other institution or individual may be a user of the valuation report.
4. Users of the valuation report shall correctly understand and use the valuation conclusions. Valuation conclusions are not equivalent to the realizable price of the valuation target, and valuation conclusions shall not be deemed as a guarantee of the realizable price of the valuation target.

XIII. DATE OF VALUATION REPORT

The date on which the conclusions of this valuation report were formally presented is 21 April 2025.

(This page contains no actual text. It is the signature page for the valuation report.)

Valuer signature:

Valuer signature:

Beijing Zhongtianhua Asset Appraisal Co., Ltd.

21 April 2025

CONTENTS OF APPENDICES TO THE VALUATION REPORT

- Economic activity documents;
- Business license of the client and the appraised entity;
- Copy of the business license of the valuation institution.

APPENDIX: VALUATION AND ESTIMATION PROCESS:**SECTION I DESCRIPTION ON THE MARKET APPROACH VALUATION MEASUREMENT PROCESS****I. Selection of specific approaches of market approach*****(I) Definition and principles of the market approach***

The market approach in respect of enterprise value valuation is a general term for valuation approaches that determine the value of the valuation subject based on the market price of one or more comparable reference subject(s) by comparing the valuation subject with the comparable reference subject(s). In this valuation, among the market approach category. Two commonly used specific approaches of the market approach are the listed company comparison approach and the transaction case comparison approach.

The listed company comparison approach refers to a specific approach that obtains and analyses the operating and financial data of listed comparable, calculates the appropriate value ratio, and determines the value of the valuation subject based on the comparison and analysis with the same.

The transaction case comparison approach refers to the valuation approach that obtains and analyses information on the transaction cases of comparable enterprises, calculates the value ratio, and determines the value of the valuation entity based on the comparison and analysis with the same.

(II) The reason and basis for selecting market approach

The common feature of the listed company comparison approach and the merger and acquisition case comparison approach is that both approaches require the use of corresponding value ratios (multipliers) to make comparisons and ultimately to value the appraised entity on this basis. The prerequisites for their application are as follows:

1. There must be a fully developed and active capital market;
2. The existence of identical or similar references;
3. The factors affecting the value of the reference and the valuation subject are clear and quantifiable, and relevant information can be collected.

The appraised entity under valuation is ENC, which engaged in the communication device manufacturing industry. There are relatively few merger and acquisition cases in this industry, and certain specific conditions associated with the merger and acquisition cases that affect the transaction price are not publicly available, so it is impossible to understand whether there are any non-market value factors and analyse the relevant discounts or premiums, and it is difficult to adopt the merger and acquisition case approach in respect of the valuation. Currently, there are more listed companies in the capital market engaging in the communication manufacturing industry, and comparable listed companies can be selected from the securities market to compare with the valued entity, therefore, the listed company comparison approach is adopted for this valuation. Specific steps of the listed company comparison approach are as follows:

Identify the basic conditions of the valued entity, including the valuation subject and its relevant interests, such as its nature, capital scale, scope of business, scale of operation, market share and growth potential, etc.

Select reference enterprises for comparison and analysis them with the valued entity. Screen potential reference enterprises to identify suitable reference enterprises. Conduct detailed research and analysis on the specific conditions of the prospective reference enterprises, including the scope of major business operations, major target markets, revenue structure, company size, profitability, and so on. Select comparable reference enterprises by analysing and comparing the business and financial conditions of these prospective reference enterprises.

Analyse the business and financial conditions of the selected reference enterprises or transaction cases, compare and analyse them with the situation of the valued enterprises, and make necessary adjustments. Firstly, collect financial information of the reference enterprises, such as industry statistics, annual reports of listed companies and research reports of research institutes. Analyse and adjust the above business and financial information obtained from public sources, so as to make the financial information of the reference enterprises as accurate and objective as possible, to make it comparable with that of the valued enterprise, and to select, calculate and adjust the value ratios. After analysing and adjusting the financial data of the reference enterprises, it is necessary to select appropriate value ratios, such as earnings before interest, taxes, depreciation and amortization (EV/EBITDA), price-to-earnings ratio (P/E ratio), price-to-book ratio (P/B ratio), price-to-sales ratio (P/S ratio) and other equity ratios, and carry out the necessary analyses and adjustments to the value ratios based on the above work.

Use the value ratios to derive valuation results. After calculating and adjusting the value ratios of the reference enterprises, the value ratios is multiplied with the corresponding financial data or indicators of the valuation subject to calculate the required equity value or enterprise value.

II. Selection of comparables

(I) Selection of capital market

ENC is engaged in the production and manufacture of communication devices. Combined with the purpose of this valuation, the comparable listed company is selected as companies engaged in the production and manufacture of communication devices within the PRC, and after searching, the comparable listed companies are listed on the A-share stock market, so the capital market is the A-share stock market.

(II) Selection of quasi comparable enterprises

The main principles for the selection of comparable enterprises are that the comparable enterprises should be in the same industry or subject to the same economic factors as the entity being valued.

Based on the fact that the main business of the appraised entity is the production and sale of communication devices, public information of listed companies in the A-share capital market engaged in the manufacture and sale of communication devices was collected through WIND Information, and listed companies with a business category close to that of the appraised entity, with a comparable scope of business, with a profitable operation, with a listing period of not less than 5 years and with a relatively large proportion of outstanding shares in the total share capital were selected as the quasi comparable enterprises after conducting the relevant statistical analyses.

The three listed companies were selected for this valuation as quasi comparable enterprises:

Stock code of the quasi comparable enterprises	002396. SZ	688036. SH	601231. SH
Name of the quasi comparable enterprises	Star-net (星網銳捷)	Transsion (傳音控股)	USI (環旭電子)
Place of listing	A share	A share	A share

(III) Introduction of comparable enterprises

Comparable enterprise I: Star-net

1. Company name: Fujian Star-net Communication Co., Ltd.
2. Company abbreviation (stock short name): Star-net
3. Stock code: 002396. SZ
4. Address: No. 19–22 buildings, Star-net Technology Park, Juyuanzhou, No. 618 Jinshan Avenue, Cangshan District, Fuzhou City, Fujian Province
5. Legal representative: Ruan Jiayong (阮加勇)
6. Registered capital: 588,609,418 CNY
7. Company Profile: the company is a leading provider of ICT application solutions in China and one of the first batch of national technology innovation demonstration enterprises. The company has undertook and been selected for the China Torch Program, National 863 Program, and National Core Electronic Devices, High-end General Chip and Basic Software Products Major Projects, and has developed a large number of core technologies with leading domestic and international standards. The company has developed unique leading advantages in various product areas such as network communications, switches, cloud computing terminals (thin client), payment terminals, desktop cloud, wireless access, broadband access, converged video, video information applications, etc. The company is also committed to bringing customers forward-looking application solutions in the application areas of intelligent networks, intelligent cloud, intelligent communities, intelligent communications, intelligent entertainments, intelligent internet of things, etc. and has successfully entered into nearly 100 countries and regions in Europe, America, Africa and Oceania. After years of accumulation in the industry, the company has a large and stable customer base in the government, finance, education, transport, medical and many other industries. The company adheres to the innovation-driven development strategy, and continuously promotes the optimisation and upgrading of the intelligent industry. The company continues to plough deeper into the intelligent industry, and promotes the development of new products and applications. The differentiation of customer needs in the enterprise market has also brought the company strong customer stickiness. The

Company's ability to provide customers with solutions to meet their needs by relying on its strong research and development team and comprehensive marketing service system has brought the company strong market competitiveness. By maintaining constant communication with customers and providing services on a continuous basis, the Company is able to deeply understand the behaviour and needs of customers, thus forming a good cooperative relationship.

Comparable enterprise II: Transsion

1. Company name: Shenzhen Transsion Holdings Co., Ltd.
2. Company abbreviation (stock short name): Transsion
3. Stock code: 688036. SH
4. Address: Unit 1, 24th Floor, Transsion Building, No.8 Xianyuan Road, Xili Community, Xili Sub-district, Nanshan District, Shenzhen City, Guangdong Province
5. Legal representative: Zhu Zhaojiang (竺兆江)
6. Registered capital: 1,140,350,575 CNY
7. Company Profile: the company is a high-tech enterprise focusing on the design, R&D, production and brand operation of smart terminals with mobile phones as the core, and its business is concentrated in emerging market countries such as Africa, South Asia and Southeast Asia. Meanwhile, the company has implemented a diversification strategy and developed digital accessories, home appliances and mobile internet services. The main products are three brands of cell phones, namely TECNO, itel and Infinix, and the company has also established the brands Oraimo for smart accessories, Syinix for home appliances and Caricare for after-sales services, and independently researched and developed the intelligent terminal operating systems, such as HIOS, itelOS, and XOS. In response to specific market needs, the company has completed R&D achievements tailored to local markets, including dark-skin photography technology and sweat-proof USB ports, etc. In 2018, the company ranked fourth in terms of global market share for mobile phone shipments at 7.04%, first in terms of market share in Africa at 48.71%, and fourth in terms of market share in India at 6.72%.

Comparable enterprise III: USI

1. Company name: Universal Scientific Industrial (Shanghai) Co., Ltd.
2. Company abbreviation (stock short name): USI
3. Stock code: 601231. SH
4. Address: No.1558 Zhangdong Road, Integrated Circuit Industrial Zone, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai
5. Legal representative: Chen changyi (陳昌益)
6. Registered capital: 2,196,199,964 CNY
7. Company Profile: the company is a large-scale design and manufacturing service provider offering professional design and manufacturing services and solutions in the field of electronic products. The company mainly provides domestic and overseas brand manufacturers with professional services in development and design, material procurement, production and manufacturing, logistics and maintenance of various electronic products, including communication products, computer and storage products, consumer electronics products, industrial products and other products. The company focuses on ODM, JDM and EMS of high-end electronic products in information, communication, consumer electronics and automotive electronics, and has established long-term and stable supply chain relationships with many international electronic product brands, such as Apple, AUO, Lenovo, Intel, IBM and so on.

Upon cross-checking the contents listed above against the specified criteria, it is confirmed that all comparable enterprises currently included have been fully disclosed with no omissions.

III. Selection for the value ratio

When using the listed company comparison approach for valuation, the value ratios include indicators such as the price-to-book ratio (P/B), price-to-earnings ratio (P/E), price-to-sales ratio (P/S) and earnings before interest, taxes, depreciation and amortization (EV/EBITDA).

Generally, based on the market situation of the valuation subject, the indicators of price-to-book ratio (P/B), price-to-earnings ratio (P/E), price-to-sales ratio (P/S) and earnings before interest, taxes, depreciation and amortization (EV/EBITDA) are selected for comparison with comparable enterprises, and the difference in factors affecting the indicators is adjusted through the comparison of relevant factors of each of the indicators of the valuation subject with those of the comparable enterprises to obtain the price-to-book ratio (P/B), price-to-earnings ratio (P/E), price-to-sales ratio (P/S) and earnings before interest, taxes, depreciation and amortization (EV/EBITDA) of the valuation subject to calculate the equity value of the appraised entity.

P/E ratio and P/B ratio reflect the enterprise value from the perspective of equity investment, while EV/S reflects the enterprise value from the perspective of total investment. The appraised entity is a communication device manufacturing enterprise, and this valuation selects profitability ratios to value the equity of the appraised entity respectively. The arithmetic average of the P/E value ratios was used for this valuation to calculate the equity value of the entire shareholders of the appraised entity.

IV. Process for applying the valuation approach

1. Selection of indicators for comparative analysis between the valued entity and comparable enterprises

Based on the purpose of the valuation, the nature of the industry in which the appraised entity is engaged, and the characteristics of the appraised entity and the comparable enterprises, a number of indicators in the five areas of asset management scale, profitability, growth potential, risk management capacity, and operating ratios, etc., were selected as the comparable indicators for this valuation. Such five aspects include:

The comparable indicators are described below:

- (1) Asset management scale: total assets and net assets attributable to the parent company;
- (2) Profitability: Gross sales margin and total revenue;

- (3) Growth potential: operating revenue growth rate and total asset growth rate;
- (4) Risk management capability: gearing ratio and current ratio;
- (5) Operating ratios: receivables turnover ratio and inventory turnover ratio.

Based on the dynamic P/E ratio of each comparable enterprise for the year and forecast period (2025–2026) as of the valuation benchmark date, by analysing the financial indicators of the comparable enterprises, the corresponding financial indicators of the appraised entity were compared and adjusted one by one, resulting in the adjusted P/E ratio based on the P/E ratio of the respective comparable enterprises, the price-to-earnings ratio of the appraised entity was determined after a comprehensive analysis, and then multiplied by the average of the net profit attributable to the parent company for the year of the valuation benchmark date of the appraised entity and that for the years 2025–2026, to arrive at the market value of the entire shareholders' equity of the appraised entity as at the valuation benchmark date (before taking into account of the discount for lack of marketability and control premium).

2. *Comparative analysis between the target company and comparable enterprises*

(1) *Comparison of the asset management scale indicator*

Total assets (RMB ten thousand) and net assets attributable to the parent company (RMB ten thousand) are shown in the table below:

Target company/ Comparable enterprises	ENC	Star-net	Transsion	USI
Total assets (RMB ten thousand)	125,088.32	1,178,089.87	2,290,663.33	2,953,056.59
Net assets attributable to the parent company (RMB ten thousand)	-38,417.43	345,398.14	-1,289.47	1,149,173.25

Note: The data of the appraised entity and comparable enterprises are the adjusted operating data in 2024, the same as below

(2) *Comparison of the profitability indicator*

Gross sales margin and total revenue are shown in the table below:

Target company/ Comparable enterprises	ENC	Star-net	Transsion	USI
Gross sales margin	3.87%	34.07%	21.28%	9.49%
Total revenue (RMB ten thousand)	337,611.15	1,674,488.33	6,871,527.88	6,068,693.66

(3) *Comparison of the growth potential indicator*

Operating revenue growth rate and total asset growth rate are 1-year growth rate data, which are shown in the table below:

Target company/ Comparable enterprises	ENC	Star-net	Transsion	USI
Operating revenue growth rate	-29.30%	5.42%	10.31%	-0.16%
Total asset growth rate	-14.26%	15.28%	3.56%	-1.47%

The formula is as follows:

Operating revenue growth rate = (Operating revenue in 2024 – Operating revenue in 2023) ÷ Operating revenue in 2023 × 100%

Total assets growth rate = (Total assets at the end of 2024 – Total assets at the end of 2023) ÷ Total assets at the end of 2023 × 100%

Note: The indicator data of the appraised entity and comparable enterprises are calculated based on operating data after excluding non-operating data.

(4) *Comparison of the risk management capability indicator*

Gearing ratio and current ratio are shown in the table below:

Target company/ Comparable enterprises	ENC	Star-net	Transsion	USI
Gearing ratio	130.71%	58.17%	100.06%	60.82%
Current ratio	0.65	1.39	0.85	1.33

(5) Comparison of the operating ratios indicator

Receivables turnover ratio and inventory turnover ratio are shown in the table below:

Target company/ Comparable enterprises	ENC	Star-net	Transsion	USI
Receivables turnover ratio	5.82	6.12	25.73	5.99
Inventory turnover ratio	6.57	2.56	5.66	6.84

3. Determination of modification coefficients of target entity and comparable enterprises

Based on the importance of each comparative factor and related indicator, the weights of each indicator were set, and then the scores of each comparative factor were obtained by multiplying the adjusted scores of each indicator by the corresponding weight subtotals, and then the scores of each comparative factor were multiplied to arrive at the final scores of each comparable enterprise.

Adjustment coefficient of influence factor A_i = coefficient of the appraised entity/coefficient of the comparable enterprises

P/E revision coefficient of comparable enterprises= adjustment coefficient of influence factor A_i

Based on the determined adjustment coefficients, the statement of P/E coefficient adjustment was calculated as follows:

Modification factors	ENC	Star-net	Transsion	USI
Asset management scale	1.00	0.9615	0.9615	0.9091
Profitability	1.00	0.9434	0.9259	0.9434
Growth potential	1.00	0.9091	0.9259	0.9434
Risk management capability	1.00	0.9091	0.9615	0.9091
Operating ratios	1.00	1.0526	0.9615	0.9901
Modification coefficients	1.0000	0.7891	0.7620	0.7283

4. P/E of comparable enterprises

- (1) *Total market capitalization as of the valuation benchmark date of comparable enterprises*

Total market capitalization as of the valuation benchmark base date of comparable enterprises = closing price × total number of shares

Wherein, the closing price of this valuation is selected as the average price for the 30 days prior to the valuation benchmark date for calculation.

- (2) *P/E of comparable enterprises*

P/E of the current year as of the valuation benchmark date and forecast year (2025–2026) were selected for this valuation.

5. Calculation of the price-to-earnings ratio (P/E)

Based on the calculation of the modification coefficients, the P/E of the comparable enterprises after the consolidated modification was calculated. The average value was taken as the P/E of the valued entity. The results of the calculation are shown in the table below:

Item	Star-net	Transsion	USI
PE (FY)	17.01	13.93	13.10
Modification coefficients	0.7891	0.7620	0.7283
PE (revised)	13.42	10.61	9.54
On average		11.20	

6. Determination of total shareholders' equity before taking into account the discount for lack of marketability

According to the accounting statements and forecast data of the appraised entity, the average value of the net profit attributable to the parent company of ENC for the year of the valuation benchmark date and the years 2025–2026 is RMB51,941,300, then:

$$\begin{aligned} & \text{Value of the total shareholders' equity of the appraised entity (before taking into account the} \\ & \text{discount for lack of marketability)} = \text{adjusted net profit attributable to the parent company} \times \\ & \text{P/E of the appraised entity} \\ & = 5,194.13 \times 11.2 \\ & = 58,174.27 \text{ (RMB ten thousand)} \end{aligned}$$

Note: Adjustments were made to the net operating profit as of the valuation benchmark date of ENC, with the total profit excluding gains or losses incurred from non-operating activities, and the net operating profit was re-estimated on the basis of the excluded total profit, and the content and amount involved in the exclusion of the total profit were as follows:

- (1) Other gains: RMB1,614,300;
- (2) Asset impairment loss (“-” for loss): RMB18,535,000;
- (3) Credit impairment loss (“-” as loss): 637,800;
- (4) Gain on disposal of assets: -2,693,600;
- (5) Non-operating income: 2,695,700.

7. Determination of discount for lack of marketability

Marketability is the ability to buy and sell securities quickly and without hindrance at low transaction costs in a particular market. The discount for lack of marketability (DLOM) is a quantification of the degree to which marketability is impaired relative to investments with higher marketability. A certain level or percentage of the discount for lack of marketability should be deducted from the value of the interest as a reflection of the discount for lack of marketability.

Currently, the main ways or means of studying the discount for lack of marketability in the international arena include the following two: one is a study route of the restricted stock trading value and the other is a study route of the pre-IPO trading price.

As the market approach is used for this valuation, the market price of the comparable enterprises is the trading price listed on the stock exchange and their shares are of higher marketability. Since the valuation subject is an equity in the stock market without marketability, the discount for lack of marketability needs to be considered in valuing the equity. Taking all factors into consideration, the discount for lack of marketability for this valuation is determined as 28.70%.

8. Non-operating assets and liabilities

The non-operating assets and non-operating liabilities of the appraised entity include other receivables, other current assets and deferred income tax assets. Non-operating assets and liabilities are valued using the cost method. Non-operating assets and liabilities were valued at RMB639,316,300.

9. Value of long-term equity investments

The appraised entity has no external investments.

10. Valuation results of total value of shareholders' equity of the appraised entity after taking into account the discount for lack of marketability

Total value of shareholders' equity of the appraised entity = total value of shareholders' equity of the appraised entity (before taking into account the discount for lack of marketability) × (1 – the discount for lack of marketability + non-operating assets, liabilities and interest bearing liabilities + value of long-term equity investment
= 58,174.27 × (1-28.70%)+63,931.63
= 105,409.90 (RMB ten thousand)

V. Valuation results of market approach

The value of the total value of shareholders' equity of the appraised entity, ENC, derived from the use of the market approach for this valuation is RMB1,054,099,000.

SECTION II DESCRIPTION OF VALUATION AND ESTIMATION PROCESS UNDER INCOME APPROACH**I. ASSUMPTIONS FOR INCOME FORECAST****(II) General assumptions****1. Transaction assumption**

It is assumed that all valuation subjects are already in the course of transaction, and the professional valuers conduct valuation in a simulated market based on, among other things, the transaction conditions of assets to be valued.

2. Open market assumption

It is assumed that assets can be traded freely in a fully competitive market, and their prices depend on the value judgment of independent buyers and sellers under the supply conditions of a given market.

3. Going concern assumption

It is assumed that a business entity's operations can be continued and that the entity's operations will not be suspended or discontinued for a predictable period of time in the future. As a result: According to the business term listed in the business license of the appraised entity, the business term of ENC ends on 14 September 2025, and it is assumed in the valuation that the operations can be successfully extended and continued on an ongoing basis after the expiry of the business term.

(II) Special assumptions

1. It is assumed that there are no major changes in the country's current relevant laws and regulations, administrative policies, the national macroeconomic situation, and the political, economic and social environments of the countries and regions where the parties to the transaction are located.
2. It is assumed that the operators of the entity to be valued are responsible and that the management team is capable of fulfilling its duties.
3. It is assumed that cash inflows and outflows of the appraised entity after the valuation benchmark date are generated in an even manner.
4. Unless otherwise stated, it is assumed that the entity to be valued fully complies with all relevant laws and regulations.
5. It is assumed that the accounting policies to be adopted by the entity to be valued in the future are substantially consistent in material aspects with those adopted when preparing this report.
6. It is assumed that, based on the existing management methods and management levels, the business scope and methods of the entity to be valued remain consistent with the current ones.
7. It is assumed that there will be no major changes in interest rates, exchange rates, tax basis and tax rates, policy levies, etc.
8. It is assumed that there are no force majeure factors or unforeseen circumstances that would have a significant adverse impact on the enterprise.
9. It is assumed that the market multipliers used in the valuation are stable in reflecting the market's valuation expectations and risk appetite for the industry in which the appraised entity is located and will not deviate significantly in the short term due to unusual market volatility or unforeseen events.

10. In this valuation, we have made reference to and used the pro forma financial statements of ENC as at the adjusted historical and valuation benchmark dates provided by the client, as well as the financial reports and transaction data of comparable companies that we retrieved from the Wind database. We assume that such financial statement data and relevant transaction data are true and reliable.

In particular, it is brought to the attention of the user of the report that, in accordance with the requirements of the valuation, it is determined that the above-mentioned assumptions are valid as at the valuation benchmark date, and that the analysis, judgments, and conclusions contained in the valuation report are subject to the assumptions and qualifications set forth in the valuation report, and that the valuation conclusions are generally invalidated when those conditions change, and that the valuing organization and the valuers will not be held accountable for deriving different valuation conclusions as a result of the change in assumptions.

II. VALUATION CALCULATION AND ANALYSIS PROCESS

(I) Valuation model

1. Basic model

The basic model for this valuation is:

$$E = B - D$$

Where: E: value of all shareholders' equity of the valuation subject

B: enterprise value of the of the valuation subject

D: value of interest-bearing debts of the valuation subject

Where: $B = P + \sum C_i + Q$

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

Where:

P: value of operating assets of the valuation subject;

R_i: expected income of the valuation subject in the i-th year in future (free cash flow);

R_{n+1}: expected income in equal amount of the perpetual period of the valuation subject (free cash flow);

r: discount rate;

n: definite forecast years;

ΣC_i : value of surplus and non-operating assets (liabilities) existing as at the benchmark date of the valuation subject;

$$\Sigma C_i = C_1 + C_2$$

C_1 : value of surplus cash-based assets (liabilities) existing as at the benchmark date of the valuation subject;

C_2 : value of other surplus or non-operating assets (liabilities) existing as at the benchmark date of the valuation subject;

Q: valuation of long-term equity investments of the valuation subject.

2. *Income benchmark*

The free cash flow of enterprise represents the income benchmark for operating assets under this valuation. It is essentially defined as follows:

$$R = \text{Net profit after tax} + \text{depreciation and amortization} + \text{interest on interest-bearing debts after tax} - \text{capital expenditure} - \text{change in net working capital}$$

3. *Forecast period*

Based on the going concern assumption, this valuation assumes that the term of operation can be successfully extended upon expiration and the appraised entity can continue to operate, and that the appraised entity is in normal operation and there will be no factors affecting the going concern in the foreseeable future. Therefore, the period of income is perpetual.

4. *Discount rate*

Discount rate r is determined using the weighted average cost of capital (WACC) model under this valuation

$$r = (1-t) \times K_d \times W_d + K_e \times W_e$$

Where:

T: income tax rate;

Wd: debt ratio of the valuation subject;

$$Wd = \frac{D}{(E+D)}$$

Kd: cost of debt capital;

We: equity capital ratio of the valuation subject;

$$We = \frac{E}{(E+D)}$$

Ke: cost of equity capital. The cost of equity capital was determined according to the Capital Asset Pricing Model (CAPM);

$$Ke = R_f + MRP \times \beta + R_c$$

Where:

R_f: risk-free rate of return;

MRP: market expected rate of return;

β : expected market risk coefficient of equity capital of the valuation subject;

R_c: risk adjustment factor for the characteristics of the valuation subject.

(II) Determination of future earnings**1. Forecast of operating income**

ENC's 2022 data has been audited, and the valuation benchmark date and 2023 statements are adjusted pro forma financial statements provided by the client. The valuers analyzed the historical data, and the forecast data for subsequent future years is based primarily on interviews with ENC, as well as forecast based on an understanding an analysis of the industry in which the Company operates.

(1) Analysis of historical data

Historical revenues are summarized in the table below:

Unit: RMB0'000

	Item	Historical data		
		2022	2023	2024
Revenue from main business	Sales of goods and maintenance	491,312.49	434,572.29	307,375.92
	Rendering of service	<u>28,428.12</u>	<u>22,140.26</u>	<u>24,522.09</u>
	Subtotal amount	<u><u>519,740.61</u></u>	<u><u>456,712.54</u></u>	<u><u>331,898.02</u></u>
Revenue from other business	Sales of other materials	<u>35,424.89</u>	<u>20,840.77</u>	<u>5,713.13</u>
	Subtotal amount	<u><u>35,424.89</u></u>	<u><u>20,840.77</u></u>	<u><u>5,713.13</u></u>

(2) Forecast of operating income

In recent years, there has been a decline in the Company's business revenue, mainly because ENC is a foreign-invested holding company. The reason for the change in historical performance is mainly due to the geopolitical impact, the impact of its related party arrangements and the impact of trade and competition pressure in recent years. ENC's business in China has been subject to certain market impact, i.e., the impact of direct trade between countries, which has an impact on the change in revenue. According to the understanding with the Company and the client, ENC will continue to be impacted by adverse factors such as trade wars and other factors as a result of the current international environment. Affected by management decisions caused by global market changes, the Chinese market will shrink slightly and remain relatively stable, so a modestly small reduction in revenue will be considered (-2% growth rate in 2025, -1% growth rate in 2026, and subsequent years to maintain stability) and stability will be gradually maintained for forecast.

In accordance with the enterprise's development strategy, business model and market layout, and based on full communication with the enterprise's management, a forecast of the enterprise's future sales revenue is obtained.

Unit: RMB0'000

No.	Item	Future forecast					
		2025	2026	2027	2028	2029	
1	Revenue from main business	Sales of goods and maintenance	301,228.40	298,216.12	298,216.12	298,216.12	298,216.12
		Rendering of service	24,031.65	23,791.33	23,791.33	23,791.33	23,791.33
	Subtotal amount	<u>325,260.06</u>	<u>322,007.46</u>	<u>322,007.46</u>	<u>322,007.46</u>	<u>322,007.46</u>	
2	Revenue from other business	Sales of other materials	5,598.87	5,542.88	5,542.88	5,542.88	5,542.88
		Subtotal amount	<u>5,598.87</u>	<u>5,542.88</u>	<u>5,542.88</u>	<u>5,542.88</u>	<u>5,542.88</u>
	Total operating revenue	<u>330,858.93</u>	<u>327,550.34</u>	<u>327,550.34</u>	<u>327,550.34</u>	<u>327,550.34</u>	

2. Forecast of operating cost

(1) Analysis of historical data:

Unit: RMB0'000

No.	Item	Historical data		
		2022	2023	2024
	Cost of main business	495,938.79	441,929.88	318,332.40
1	Sales of goods and maintenance	468,953.44	420,833.20	296,039.59
	Rendering of service	26,985.35	21,096.68	22,292.81
	Cost of other business	36,790.64	20,810.04	6,222.64
2	Sales of other materials	36,790.64	20,810.04	6,222.64
	Total operating costs	532,729.43	462,739.91	324,555.04

As can be seen through the above table, there is a certain correlation between the operating cost and operating revenue of the appraised entity, and its overall cost of sales ratio in the historical period is as follows:

Item	2022	2023	2024
Sales of goods and maintenance	95.45%	96.84%	96.31%
Rendering of service	94.92%	95.29%	90.91%
Sales of other materials	103.86%	99.85%	108.92%

In terms of cost of sales ratio, there were fluctuations in the cost of sales ratio in the historical period, but the cost of sales ratio corresponding to the revenue of major business was relatively stable despite the fluctuations.

(2) Forecast of operating cost:

Enterprise pricing model is generally considered in accordance with the product plus a certain amount of profit. Subject to the scale and different product details in the previous period, gross profit fluctuates, but under the current scale, the sale of goods and maintenance business gross profit in recent years will remain stable. Taking into account the actual business situation in recent years, the determination of the future projected cost rate is based on the most recent year's level.

The relevant policies of rendering of service in 2024 have been adjusted, and in the future it is also more appropriate to consider in accordance with the recent policies. As such, the determination is based on the 2024 cost rate.

Sale of materials mainly involves the disposal of materials that are currently unusable or have defects in the business. In previous years, due to excessive stockpiling, this type of business was significant, and it has now returned to normal. Most of the materials sold have certain defects, resulting in negative gross margins on returns. This situation will continue to occur in the future, so the current assessment is based on the 2024 scenario.

This valuation is a reasonable forecast after analyzing the historical gross profit in conjunction with the historical situation.

The Company forecasts its costs based on historical conditions and future plans, with specific forecast for future years as follows:

Unit: RMB0'000

No.	Item	Future forecast				
		2025	2026	2027	2028	2029
	Cost of main business	311,965.75	308,846.09	308,846.09	308,846.09	308,846.09
1	Sales of goods and maintenance	290,118.79	287,217.61	287,217.61	287,217.61	287,217.61
	Rendering of service	21,846.96	21,628.49	21,628.49	21,628.49	21,628.49
	Cost of other business	6,098.19	6,037.20	6,037.20	6,037.20	6,037.20
2	Sales of other materials	6,098.19	6,037.20	6,037.20	6,037.20	6,037.20
	Total operating costs	318,063.93	314,883.30	314,883.30	314,883.30	314,883.30

3. *Forecast of taxes and surcharges*

ENC's taxes and surcharges involve urban construction tax, education surcharge, local education surcharge, stamp duty, real estate tax, land use tax and other taxes. We forecast taxes and surcharges for future years based on the tax and surcharge payments for each historical period and as a percentage of revenue.

4. *Forecast of sales expenses*

In terms of the composition of the enterprise's sales expenses, as the enterprise is mainly a related party transaction and there are no selling segment expenses, they are not considered.

5. *Forecast of management expenses*

Management expenses include office expenses to maintain the daily operation of the enterprise, wages of enterprise management personnel, business entertainment expenses, travel expenses, depreciation, fees for engaging intermediary organizations and other expenses. In view of the composition of the management expenses of the enterprise and in conjunction with the business strategy of the enterprise, the forecast of the management expenses in this valuation is firstly categorized into fixed expenses and variable expenses based on the correlation between the management expenses and the revenue.

For fixed expenses, staff wages were mainly calculated according to the investment plan, future employment plan and annual wage growth rate provided by the enterprise and based on historical data, and were determined through communication with the management of the enterprise; depreciation and amortization expenses were calculated based on the existing fixed assets of the enterprise and assets to be invested in the development plan, and in conjunction with the depreciation and amortization system for fixed assets currently implemented by the enterprise.

For variable expenses, a certain growth rate is considered based on previous expenses.

6. *Forecast of financial expenses*

Financial expenses mainly include interest expenses, interest income and other expenses.

The Company has borrowed externally for its business needs. Based on the analysis of the enterprise's future cash flow and financing requirements, the projected interest expenses are estimated in accordance with the enterprise's existing debt profile and other relevant information, and the interest expenses are projected in accordance with the scale of the borrowing, the borrowing cycle and interest rate.

Interest income: Interest income is no longer projected as there was no excess cash at the benchmark date to be added back as surplus funds and cash on hand for subsequent years is projected on the basis of minimum cash holdings.

Other expenses: Based on the history of the business, other expenses include gains such as foreign exchange gains and losses, which is not considered for future forecast.

7. *Forecast of non-operating income and expenses and subsidy income (other gains)*

Non-operating income and non-operating expenses are non-principal business income and expenses generated from state incentive funds received by the enterprise, the amount of which is related to the enterprise's current business strategy and the national export policy, etc. It is easy to obtain forecast data in the near term, while the data in the long term is not easy to forecast. Subsidy income is mainly non-principal business income generated by financial subsidies, etc., the amount of which is related to the enterprise's current business strategy and the national export policy, etc., and the subsidy income is not a recurring event. As such, the impact of subsidy income and non-operating income on the calculation of profit will not be considered.

8. *Forecast of enterprise income tax*

This valuation was considered at the actual applicable tax rate of the enterprise.

Income tax is determined by multiplying the taxable income for each year by the corresponding income tax rate.

9. *Forecast of depreciation and amortization expenses*

(1) Depreciation

Forecasts of depreciation expenses are mainly based on the fixed assets of the enterprise to maintain its current operating capacity and the new fixed assets required for the enterprise's future development, while deducting those that have reached the end of their economic useful life. In accordance with national and enterprise policies on depreciation of fixed assets, the period and annual amounts of depreciation in future years are calculated. Depreciation of fixed assets is estimated on a straight-line basis.

(2) Amortization

The amortization period of other intangible assets is estimated based on the enterprise's future annual amortization as well as the current policy.

10. *Forecast of capital expenditures*

Expenditures for fixed assets consist of three main components: capital expenditures for incremental fixed assets (expansion expenditures), and normal renewal expenditures for incremental fixed assets (replacement expenditures).

The normal renewal expenditures for incremental fixed assets in this valuation is equivalent to the depreciation of fixed assets charged after the transfer of such part of assets, and the capital expenditures in the perpetual period = the amount of depreciation and amortization.

It is understood from the client and the appraised entity that there are no current plans for expanded expenditure plan by ENC.

11. Forecast of working capital

Additional working capital refers to the additional cash invested by the enterprise for the purpose of expanding its reproduction without changing the conditions of its current main business, i.e., the additional working capital required for the scale expansion of production in order to maintain the enterprise's ability to continue operation, such as the cash required for the maintenance of normal business operations, the purchase of product inventories, advances made on behalf of customers (accounts receivable) and other basic capitals required, and the amount of product payables. Usually, the enterprise can only maintain simple reproduction without increasing working capital. The addition of working capital refers to the cash occupied with the changes of the enterprise's business activities, obtaining other people's commercial credit, the cash and inventory that need to be maintained for normal operation; at the same time, in the economic activities, providing commercial credit can correspondingly reduce the immediate payment of cash. Estimating the increase in working capital requires, in principle, consideration of only the major factors such as cash, accounts receivable, prepayments, inventories and accounts payable, and advance from customers that need to be maintained for normal operations.

Forecast of working capital for future years are estimated by the following:

Forecasted annual receivables = operating revenue for the year/annual turnover of forecasted receivables for that year

Forecasted annual inventory = operating costs for the year/annual turnover of forecasted inventory for that year

Forecasted annual payables = operating costs for the year/annual turnover of forecasted payables for that year

Monetary capital to participate in operations in the forecast year = (operating costs for the year + taxes for the year + expenses for the year – depreciation and amortization for the year)/average number of cash payments in the year

Working capital = operating monetary capital + receivables + inventory – payables

Additional working capital = working capital required for the period – working capital required for the previous period

Forecast of working capital are based on the average of the annual turnover of accounts receivable, the annual turnover of inventories, and the annual turnover of accounts payable for historical years.

12. *Forecast of free cash flow*

Corporate operating free cash flow = net profit after tax + depreciation and amortization + interest expense (net of tax effect) – capital expenditure – change in net working capital

(III) *Determination of discount rate (WACC)*

In order to be consistent with the calibrations of the cash flows (company cash flows) in this forecast, the discount rate for this valuation was calculated using the WACC model, which is commonly used internationally.

$$r = (1-t) \times K_d \times W_d + K_e \times W_e$$

Where:

t: income tax rate;

W_d: debt ratio of the valuation subject;

$$W_d = \frac{D}{(E+D)}$$

K_d: cost of debt capital;

W_e: equity capital ratio of the valuation subject;

$$W_e = \frac{E}{(E+D)}$$

K_e: cost of equity capital. The cost of equity capital was determined according to the Capital Asset Pricing Model (CAPM);

$$K_e = R_f + MRP \times \beta + R_c;$$

Where:

R_f: risk-free rate of return;

MRP: market expected rate of return;

β : expected market risk coefficient of equity capital of the valuation subject;

R_c: risk adjustment factor for the characteristics of the valuation subject.

1. *Determination of risk-free rate of return Rf*

The risk-free rate of return can usually be determined with reference to the yield to maturity of long-term government-issued treasury bonds. The average of recent yields to maturity on treasury bonds with a remaining maturity of 10 years or more at the valuation benchmark date of 2.97% is used as the risk-free rate of return.

2. *Market risk premium*

The market risk premium is calculated as the risk-return rate on equity investment MRP, i.e., the excess of an investor's expectation over the risk-free rate of return on an investment in the equity market. We calculated the risk-return rate of the PRC stock market based on the following methodology: the CSI 300 index was selected as the index to measure the volatility of the PRC stock market, and the average return on the year-end closing index of the CSI 300 (the data was obtained from the terminal of Wind Information) was calculated to obtain the average market return on equity investment of 9.62%, which was calculated by deducting the risk-free rate of return of 2.97%, resulting in a market risk premium of 6.65%.

3. *Systematic risk factor for equity β*

β is considered a measure of a company's relative risk. We selected three listed companies with similar communications equipment and appraisal companies as comparable companies, reviewed and obtained the risk coefficient β of each comparable company relative to the Shanghai and Shenzhen markets (using the CSI 300 Index) for a period of one period from the valuation benchmark date using a monthly metrics, and calculated the average of the β coefficients excluding financial leverage of each comparable company as the β coefficients excluding financial leverage of the appraised entity.

The β coefficient of 0.9295 applicable to the appraised entity was determined by adjusting for the financial structure of the appraised entity.

The formula is:

$$\beta l = (1 + (1 - T) \times D/E) \times \beta u$$

Including:

βl : Beta with financial leverage;

βu : Beta without financial leverage;

D: Market value of interest-bearing debts;

E: Market value of equity;

D/E: Capital structure of the appraised entity;

T: income tax rate (the income tax rate is 25%)

The process of determining the capital structure ratio of the appraised entity is as follows:

In determining the target capital structure of the valued enterprise, we made reference to the following two indicators:

Firstly, the average value of the capital structure of three listed companies screened by the peer group;

Secondly, the capital structure of the valued enterprise based on its own book value.

After checking the Wind Information Website, we selected the average value of capital structure of 12.84% of the listed companies in the communication equipment industry, which is similar to the appraised company, as a reference.

4. *Determination of enterprise-specific risk adjustment factor R_c*

After comprehensive consideration of the enterprise's operating stage, historical operating conditions, the stage of development of major products, the distribution of the enterprise's business, products and regions, the company's internal management and control mechanism, the experience and qualifications of the management staff, the reliance on major customers and suppliers, as well as the production and operation situation of the enterprise, the specific risk adjustment factor R_c was taken as the following 3.00%.

5. *Determination of the cost of equity capital K_e*

Based on the parameters determined above, the cost of equity capital is calculated as follows:

$$\begin{aligned} K_e &= R_f + MRP \times \beta + R_c \\ &= 2.97\% + 6.65\% \times 0.9295 + 3.00\% \\ &= 12.15\% \end{aligned}$$

6. *Cost of debt capital K_d*

According to the Specialist Guidelines on Discount Rates, regulatory documents of the CSRC and the actual situation of enterprises and industries, with reference to the bank loan market interest rate (LPR), combined with the one-year and five-year bank loan market interest rate (LPR), the enterprise borrowings are mainly short-term borrowings, and the value of this time taken as the cost of debt capital is based on 3.1%.

7. *Weighted average cost of capital (WACC)*

Substituting each of the above values separately will result in:

WACC=11.03% (T=25%).

(IV) Valuation measurement process and results

1. *Determination of the value of operating assets*

The free cash flows for each year of the income period are discounted to their present value as of 31 December 2024, at a determined discount rate to arrive at the value of the enterprise's operating assets. The calculation table of value of operating assets is set out below:

Unit: RMB0'000

Item	2025	2026	2027	2028	2029	Perpetuity
						period
Corporate free cash flow	-19,634.87	6,529.67	6,174.65	6,169.04	6,163.39	6,163.86
Enterprise WACC	11.03%	11.03%	11.03%	11.03%	11.03%	11.03%
Discount period	0.50	1.50	2.50	3.50	4.50	
Discount coefficient	0.95	0.85	0.77	0.69	0.62	5.66
Present value of each period	-18,633.86	5,581.05	4,753.20	4,277.02	3,848.51	34,885.86

The value of operating assets was RMB347.1178 million upon calculation.

2. *Surplus or non-operating assets (liabilities)*

After investigation and analysis, the surplus assets amounted to RMB0.00;

In addition to normal operating assets, the following non-operating assets and liabilities of the appraised entity were valued as follows:

Other accounts receivable and other non-current assets: RMB511.3446 million;

Other current assets: RMB90.4832 million;

Deferred income tax assets: RMB37.4885 million;

Total non-operating assets (net of non-operating liabilities): RMB639.3163 million.

3. *Interest-bearing debts*

Short-term borrowings: RMB541.3288 million;

Total interest-bearing liabilities: RMB541.3288 million.

(V) *Valuation calculation*

Value of total shareholders' equity = total enterprise value – value of interest-bearing debts of the valuation subject

= discounted value of corporate free cash flow + value of surplus cash-based assets + value of other surplus or non-operating assets (liabilities) – value of interest-bearing debts of the valuation subject

= RMB445.11 million

As a result of the above valuation, the value of total shareholders' equity of ENC after the income approach valuation was valued at RMB445.11 million, which resulted in a valuation impairment of RMB576.127 million, representing an impairment rate of 56.41%.

SECTION III DETERMINATION OF VALUATION CONCLUSION

Based on the principles of independence, impartiality, science and objectivity, the assets included in the valuation scope of ENC were calculated using established procedures and fair methods of valuation, and valued using the income approach and the market approach, and the valuation conclusion is set out below:

I. VALUATION RESULTS OF INCOME APPROACH

Valuation results of income approach: The adjusted book value of ENC's total assets as of the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,012,370,000. The value of total shareholders' equity after using the income approach was RMB445,110,000, with an impairment of RMB576,127,000, or 56.41%.

II. VALUATION RESULTS OF MARKET APPROACH

Valuation results of market approach: The adjusted book value of ENC's total assets as of the valuation benchmark date was RMB2,656,294,500, total liabilities were RMB1,635,057,600, and net assets were RMB1,021,237,000. The value of total shareholders' equity after using the market approach was RMB1,054,099,000, with an appreciation of RMB32,862,000, or 3.22%.

III. DETERMINATION OF VALUATION CONCLUSION

Upon analysis, the value of total shareholders' equity using the market approach was RMB1,054,099,000, which better reflects the valuation of ENC for the purposes of this valuation for the following principal reasons:

The appraised entity is a communication equipment manufacturing enterprise. In valuing the value of ENC's total shareholders' equity using the income approach, the valuers analyzed its historical operations under the assumed constraints set out in the valuation report. The value of shareholders' equity using cash flow calculations was based on the premise of the existing model of continuing operations, and in combination with ENC's characteristics, which is a sino-foreign equity joint venture, and is affected by term of operation, its reliance on related party transactions, and domestic and foreign macro-policy factors.

However, in the calculation of the market approach, the valuers fully analyzed the market operating environment and the actual operating conditions of the target enterprise. The market approach is a valuation based on the analysis of the combined effect of the capital market on the value of the shareholding on the benchmark date, with due consideration given to the fact that the purpose of this valuation is an equity market transaction, and that the valuation after combining with the adjusted analysis of the comparable companies is more capable of reflecting the premium on the valuation of the enterprise by the open market. Therefore, compared with the valuation results of income approach, the valuation results of market approach can better reflect the value of the total shareholders' equity of ENC, i.e. it is reasonable to select the valuation results of market approach as the valuation conclusion for this valuation.

Based on the above reasons, we are of the opinion that the valuation result of market approach is more in line with the connotation of the value of the valuation subject to which this economic behavior corresponds, and we have selected the valuation results of market approach as the final valuation conclusion, i.e.: the value of the total shareholders' equity of ENC is RMB1,054,099,000 (In capitals: one billion fifty-four million and ninety-nine thousand yuan only).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(A) Interests of Directors**

As at the Latest Practicable Date, none of the Directors, supervisors or the chief executive of the Company or their respective associates had any interests or short positions 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 for Securities Transactions by Directors of Listed Issuers (Appendix C3 of the Listing Rules). No share options were granted to any of them as incentives. None of the Directors or supervisors or their respective spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

(B) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as the Directors, Supervisors and senior management staff of the Company were aware, and having made all reasonable enquiries, interests or short positions in shares and underlying shares of the Company held by substantial shareholders (exclusive of Directors, Supervisors and senior management staff of the Company) which were required to be recorded in the register pursuant to section 336 of the SFO of the Hong Kong Stock Exchange were as follows: (1) PEGL held 210,661,444 domestic shares, accounting for approximately 31.36% of domestic shares in issue and approximately 23.05% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (2) NEIIC held 22,210,611 domestic shares, accounting for approximately 3.29% of domestic shares in issue and approximately 2.42% of the total shares in issue and held 13,768,000 H shares, accounting for approximately 5.69%

of H shares in issue and approximately 1.51% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. NEIIC held 100% equity interests in PEGL and in total held 246,550,055 shares in the Company which was held in the capacity of controlled corporation and beneficial owner, accounting for approximately 26.98% of the total shares in issue. (3) CEIEC (H. K.) Limited held 27,414,000 H shares, accounting for approximately 11.33% of H shares in issue and approximately 3.00% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of beneficial owner. (4) CEC held 79.24% equity interests in NEIIC and 100% equity interests in CEIEC (H. K.) Limited. NEIIC held 100% equity interests in PEGL, and CEC held 273,964,055 shares in the Company in total which was held in the capacity of controlled corporation, accounting for approximately 29.98% of the total shares in issue. (5) China State Shipbuilding Corporation held 16,998,000 H shares, accounting for approximately 7.02% of H shares in issue and approximately 1.86% of the total shares in issue. The nature of interests in such shares was corporate interest which was held in the capacity of controlled corporation.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors and supervisors of the Company held offices as Directors or employees in NEIIC, the controlling shareholder of PEGL, and its subsidiaries as shown below:

Name of Director/Supervisor	Position held in NEIIC or its principal subsidiaries
Xia Dechuan	Deputy General Manager of NEIIC
Hu Jin	Assistant to General Manager, Director of Planning and Technology Department and Director of Reform Office of NEIIC
Liu Jianfeng	Executive Director and Secretary of the Party Committee of Nanjing Panda Handa Technology Co., Ltd.* (南京熊猫漢達科技有限公司)
	Deputy General Manager of CEC Defense Technology Co., Ltd.* (中電防務科技股份有限公司)

Name of Director/Supervisor	Position held in NEIIC or its principal subsidiaries
Lv Song	Director of Administration and Legal Affairs Department of NEIIC Secretary to the Board of Director of NEIIC
Fan Laiying	Chief Accountant of NEIIC
Fu Yuanyuan	Director of the Audit Department of NEIIC

Save as disclosed above, none of the Directors and supervisors of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. 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.

4. 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.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

The Board confirms that 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 2024 (being the date to which the latest published audited accounts of the Group were made up), 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.

6. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

7. EXPERT AND CONSENT

The following is the qualification of the expert (the “**Expert**”) who have been named in this circular or have given opinion or advice in this circular:

Name	Qualifications
Beijing Zhongtianhua Asset Appraisal Co., Ltd.	Qualified independent valuer

As at the Latest Practicable Date, the Expert 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 they have any direct or indirect interests in any assets which had been, since 31 December 2024 (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, the Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statements and references to its names in the form and context in which they respectively appear herein.

8. MATERIAL CONTRACTS

The Company did not entered into any contracts which are or may be material and entered into after the date two years before the date of this circular, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company.

9. DOCUMENTS ON DISPLAY

A copy of the valuation report issued by Beijing Zhongtianhua Asset Appraisal Co., Ltd., the text of which is set out in Appendix II to this circular, will be published on the websites of the Stock Exchange and the Company for a period of 14 days from the date of this circular.

10. GENERAL

- (a) The registered office of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.
- (b) The principal place of business of the Company is at 7 Jingtian Road, Nanjing, Jiangsu Province, the PRC.
- (c) The company secretary of the Company is Mr. Wang Dongdong, who is the Secretary to the Board.

NOTICE OF THE EGM

南京熊猫电子股份有限公司 NANJING PANDA ELECTRONICS COMPANY LIMITED

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

(Stock Code: 00553)

NOTICE OF THE 2025 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 first extraordinary general meeting (the “EGM”) of Nanjing Panda Electronics Company Limited (the “Company”) will be held at the Conference Room, 7 Jingtian Road, Nanjing, the People's Republic of China (the “PRC”) on Wednesday, 30 July 2025 at 2:30 p.m. to consider and, if thought fit, pass the following resolutions. Please refer to the circular of the Company dated 14 July 2025 for details of the resolutions. Unless the context otherwise requires, capitalized terms used in this notice shall have the same meanings as those defined in the circular.

ORDINARY RESOLUTION

To consider and approve matters relating to the public tender and transfer of equity interest in associate company; and to authorize the Company's management to organize and implement the said transaction and handle the specific related matters.

By Order of the Board
Nanjing Panda Electronics Company Limited
Xia Dechuan
Chairman

Nanjing, the People's Republic of China
14 July 2025

As at the date of this notice, the Board comprises Executive Directors: Mr. Xia Dechuan and Mr. Hu Huichun; Non-executive Directors: Mr. Liu Jianfeng, Mr. Hu Jin, Mr. Yi Guofu and Mr. Lv Song; and Independent Non-executive Directors: Mr. Dai Keqin, Ms. Xiong Yanren and Mr. Chu Wai Tsun, Baggio.

NOTICE OF THE EGM

Notes:

1. All holders of H shares of the Company should pay attention that the register of members of the Company will be closed from 22 July 2025 to 30 July 2025, both days inclusive, during which period no transfer of H shares can be registered so as to ascertain the holders of H shares' entitlement to attend and vote at the EGM. Holders of H shares who intend to attend the EGM must deposit the share certificates together with the transfer documents at the H-Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, on or before 4:30 p.m. on 21 July 2025.
2. Shareholders who are entitled to attend the EGM 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 the proxy form.
3. A 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 proxy is appointed by a shareholder, the proxies can exercise their voting rights only in the case of a poll.
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 notarized.
6. The proxy form together with the notarized power of attorney or other authority must be delivered to the office of the Company (in respect of A shares) or to the H-Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in respect of H shares) 24 hours before the time appointed for the holding of the EGM.
7. The Company's office and correspondence address:

7 Jingtian Road, Nanjing
The People's Republic of China
Postal code: 210033
Telephone: (8625) 8480 1144
Fax: (8625) 8482 0729