

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

CONTINUING CONNECTED TRANSACTIONS

The Directors announces that on 9 April 2008, Sang Fei, the principal operating subsidiary of the Company, entered into the Sang Da Tenancy Agreement with Sang Da. Pursuant to the Sang Da Tenancy Agreement, Sang Da agreed to lease to Sang Fei the Premises which is situated in Shenzhen, PRC.

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da is an affiliated company of CEC. CEC is the Company's ultimate controlling shareholder, holding 74.98% interest in the Company. As such, Sang Da is a connected person of the Company as well as an associate of CEC. Accordingly, the transactions contemplated under the Sang Da Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the transactions contemplated under the Sang Da Tenancy Agreement, the Group has also been leasing and licensing certain properties from members of the CEC Group through the Great Wall Tenancy Agreement and other rental arrangements. Under the Listing Rules, such transactions will be aggregated and treated as if they were one transaction. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these transactions as aggregated are below 2.5%, these transactions are, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement.

SANG DA TENANCY AGREEMENT

Date: 9 April 2008

Landlord: Sang Da

Tenant: Sang Fei

Premises: Levels 2 to 5 and a multi-purpose room on Level 4 of Sang Da Technology Building, Keji Road, Technology and Industrial Park, Nanshan District, Shenzhen, PRC.

Term:	In respect of the premises situated on Levels 2 and 3, the term is for three (3) years commencing from 1 April 2008 and expiring on 31 March 2011 (both days inclusive). In respect of the premises situated on Levels 4 and 5 and the multi-purpose room, the term is for three (3) years commencing from 1 May 2008 and expiring on 30 April 2011 (both days inclusive). Sang Fei has the right to request for the renewal of the Sang Da Tenancy Agreement by giving a written notice to Sang Da three months prior to the expiry of the Sang Da Tenancy Agreement. Sang Fei shall have priority over the others to lease the Premises on the same terms.
Gross floor area	12,396 square metres
Rental:	RMB522,660 per month, of which the total rental for the premises situated on Levels 2 and 3 shall be RMB276,920 and the total rental for the premises situated on Levels 4 and 5 and the multi-purpose room shall be RMB245,740. The monthly rental is exclusive of management fees, air-conditioning fees and utilities charges.
Management fees:	The total management fees shall be RMB73,506 per month, of which the total management fees for the premises situated on Levels 2 and 3 shall be RMB43,516 per month and the total management fees for the premises situated on Levels 4 and 5 and the multi-purpose room shall be RMB29,990 per month.
Air-conditioning fees:	The multi-purpose room and the premises situated on Levels 4 and 5 are air-conditioned. The air-conditioning fees payable by Sang Fei to Sang Da is RMB13,452 per month.
Utilities charges:	Sang Da shall charge Sang Fei for the electricity on an actual consumption basis plus an additional 3% surcharge payable to Sang Da for the depreciation of the electricity facilities. For water and sewage charges, Sang Da shall charge Sang Fei on an actual consumption basis at cost.
Usage	The premises on Levels 2 and 3 shall be factory premises which can be used for manufacturing, research and development and warehouse purposes. The premises on Levels 4 and 5 and the multi-purpose room shall be used for office and research and development purposes.

ANNUAL CAPS

The aggregate rentals, management fees, air-conditioning fees and utilities surcharges payable by Sang Fei to Sang Da under the Sang Da Tenancy Agreement for the nine months ending 31 December 2008, each of the two financial years ending 31 December 2009 and 2010 and the four months ending 30 April 2011 will not exceed the respective total amounts as set out in the following table:

	For the nine months ending 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010	For the four months ending 30 April 2011
Rentals	4,459,000	6,272,000	6,272,000	1,814,000
Management fees	632,000	883,000	883,000	251,000
Air-conditioning fees	108,000	162,000	162,000	54,000
Utilities surcharges	100,000	160,000	190,000	76,000
Total:	5,299,000	7,477,000	7,507,000	2,195,000

Based on the aggregate rentals, management fees, air-conditioning fees and utilities surcharges payable by Sang Fei to Sang Da under the Sang Da Tenancy Agreement, the annual caps for the transactions contemplated under the Sang Da Tenancy Agreement for the nine months ending 31 December 2008, each of the two financial years ending 31 December 2009 and 2010 and the four months ending 30 April 2011 are therefore set at RMB5,299,000, RMB7,477,000, RMB7,507,000 and RMB2,195,000, respectively.

REASONS FOR ENTERING INTO THE SANG DA TENANCY AGREEMENT

The Group is principally engaging in the manufacture and sales of mobile handsets and other portable electronics products in the PRC. Sang Fei, the principal operating subsidiary of the Company, operates its production facilities in Shenzhen, PRC. In response to its growing business needs, Sang Fei requires to lease additional factory and office premises for its operation. The Directors believe that the Sang Da Tenancy Agreement is important to maintain the Group's sustainable growth and the entering into of the Sang Da Tenancy Agreement is in the interests of the Company and its shareholders as a whole. Sang Fei will use the Premises as its offices, factory and warehouse.

The terms of the Sang Da Tenancy Agreement have been arrived at after arm's length negotiations between the parties and with reference to open market rent of properties of comparable size, use and location which is publicly available in the market.

The Directors (including the independent non-executive Directors) consider that the Sang Da Tenancy Agreement is in normal commercial terms and is entered into in the ordinary and usual course of business of Group and that the terms of the Sang Da Tenancy Agreement and the annual caps are fair and reasonable.

LISTING RULES IMPLICATIONS

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da is indirectly owned as to approximately 42.54% by CEC. CEC is the Company's ultimate controlling shareholder, holding 74.98% interest in the Company. As such, Sang Da is a connected person of the Company as well as an associate of CEC. Accordingly, the transactions contemplated under the Sang Da Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the transactions contemplated under the Sang Da Tenancy Agreement, the Group has also been leasing and licensing certain properties from members of the CEC Group through the Great Wall Tenancy Agreement and other rental arrangements. Under the Listing Rules, such transactions will be aggregated and treated as if they were one transaction.

The Great Wall Tenancy Agreement was entered into between Great Wall Technology and Shenzhen Great Wall as landlords and Sang Fei as tenant. Great Wall Technology and Shenzhen Great Wall are subsidiaries of CEC. Details of the Great Wall Tenancy Agreement were disclosed in the announcement of the Company dated 15 September 2006. The Great Wall Tenancy Agreement is for a term of three years commencing from 11 August 2006 and expiring on 10 August 2009 (both days inclusive). The annual caps for the rentals and management fees payable by Sang Fei under the Great Wall Tenancy Agreement for the financial year ending 31 December 2008 and the eight months ending 31 August 2009 are RMB2.87 million and RMB1.79 million, respectively.

Sang Fei has also been leasing and licensing its factory premises and some of its staff quarters from members of the CEC Group under certain leases and licences. All of such leases and licences will expire on 31 December 2008. Details of such rental arrangements were disclosed in the circular of the Company dated 21 June 2004. The annual cap in respect of the rentals and management fees under the rental arrangements with the CEC Group for the year ending 31 December 2008 is RMB7,696,000.

Under the Listing Rules, the transactions contemplated under each of Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and the other rental arrangements with the CEC Group constitute continuing connected transactions. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of these transactions, on an aggregate basis, are below 2.5%, these transactions are, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement.

GENERAL INFORMATION

The Company is an investment holding company. Its principal operating subsidiary, Sang Fei, is primarily engaged in the manufacturing and sales of mobile handsets and other portable electronics products in the PRC.

Sang Da is a state-owned enterprise established in the PRC with its A shares listed on the Shenzhen Stock Exchange. Sang Da is principally engaged in manufacturing, research and development, sale and distribution of electronic components and consumer electronics products and real estate development.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associates”	has the meaning ascribed to this term under the Listing Rules
“CEC”	China Electronics Corporation, a state-owned enterprise established under the laws of the PRC, the ultimate controlling shareholder of the Company
“CEC Group”	CEC and its subsidiaries and affiliated companies
“Company”	China Electronics Corporation Holdings Company Limited
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Great Wall Technology”	Great Wall Technology Company Limited, a joint stock limited company established in the PRC with its H-shares listed on the Hong Kong Stock Exchange (Hong Kong Stock Exchange Stock Code 00074) and a subsidiary of CEC
“Great Wall Tenancy Agreement”	the tenancy agreement dated 3 July 2006 entered into between Great Wall Technology and Shenzhen Great Wall as landlords and Sang Fei as tenant in relation to the lease of the factory premises situated at Nanshan District, Shenzhen, PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Premises”	Levels 2 to 5 and a multi-purpose room on Level 4 of Sang Da Technology Building, Keji Road, Technology and Industrial Park, Nanshan District, Shenzhen, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sang Da”	深圳市桑達實業股份有限公司 (Shenzhen SED Industry Co., Ltd.), a member of the CEC Group
“Sang Da Tenancy Agreement”	the tenancy agreement dated 9 April 2008 entered into between Sang Da as landlord and Sang Fei as tenant in relation to the lease of the Premises

“Sang Fei”

深圳桑菲消費通信有限公司 (Shenzhen Sang Fei Consumer Communications Company Limited), a sino-foreign equity joint venture company established in the PRC and owned as to 65% by the Company

“Shenzhen Great Wall”

China Great Wall Computer (Shenzhen) Co., Ltd., a joint stock limited company established under the laws of the PRC with its A-shares listed on the Shenzhen Stock Exchange (Shenzhen Stock Exchange Stock Code 000066) and a subsidiary of CEC

By Order of the Board

China Electronics Corporation Holdings Company Limited

Fan Qingwu

Managing Director

Hong Kong, 9 April 2008

As at the date of this announcement, the Company has (i) two non-executive Directors, namely Mr. Xiong Qunli (Chairman) and Mr. Tong Baoan (Vice Chairman), (ii) two executive Directors, namely Mr. Fan Qingwu (Managing Director) and Mr. Hua Longxing and (iii) three independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli.

** For identification purpose only*