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

If you have sold or transferred all your shares in China Electronics Corporation Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

POSSIBLE FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

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

ALTUS CAPITAL LIMITED

A notice convening a special general meeting of the Company to be held at 3:00 p.m. on Thursday, 26 February 2009 at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 38 to 40 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on pages 20 to 21 of this circular. A letter from Altus Capital Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 22 to 31 of this circular.

* For identification purpose only

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DEFINITIONS

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

“Altus”	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements
“associates”	has the meaning ascribed to this term under the Listing Rules
“Beijing Huada Zhibao”	北京華大智寶電子系統有限公司 (Beijing Huada Zhibao Electronic System Co., Ltd.)
“Beijing Shoufa Xinan”	北京首發信安數據系統科技有限公司 (Beijing Shoufa Xinan Data System Technology Company Limited), a company established under the laws of the PRC, the vendor under the Beijing Shoufa Xinan Agreement
“Beijing Shoufa Xinan Agreement”	the conditional equity transfer agreement dated 20 June 2008 entered into between the Company and Beijing Shoufa Xinan in relation to the acquisition of 7.50% equity interest in Hua Da Electronics by the Company
“Board”	the board of Directors
“CEC”	中國電子信息產業集團公司 (China Electronics Corporation), a state-owned enterprise established under the laws of the PRC, the Company’s ultimate controlling shareholder
“CEC Finance”	中國電子財務有限責任公司 (China Electronics Corporation Finance Co., Ltd.)
“CEC Group”	CEC and its subsidiaries (other than the Group)
“China Hua Da”	中國華大集成電路設計集團有限公司 (China Huada Integrated Circuit Design (Group) Co., Ltd.), a company established under the laws of the PRC, the vendor under the China Hua Da Agreement

DEFINITIONS

“China Hua Da Acquisition”	the acquisition of 64.75% equity interest in Hua Da Electronics by the Company pursuant to the China Hua Da Agreement
“China Hua Da Agreement”	the conditional equity transfer agreement dated 20 June 2008 entered into between the Company and China Hua Da in relation to the China Hua Da Acquisition
“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
“Factoring Agreement”	the factoring agreement proposed to be entered into between CEC Finance as lender and Sang Fei as borrower
“Great Wall Tenancy Agreement”	the tenancy agreement dated 3 July 2006 entered into between Great Wall Technology Company Limited and China Great Wall Computer (Shenzhen) Co., Ltd. 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
“Hua Da Electronics”	北京中電華大電子設計有限責任公司 (CEC Huada Electronic Design Co., Ltd.), a company established under the laws of the PRC
“Hua Da Tenancy Agreement”	the tenancy agreement dated 20 June 2008 entered into between Beijing Huada Zhibao as landlord and Hua Da Electronics as tenant in relation to the lease of the premises located at Beijing, PRC

DEFINITIONS

“Independent Board Committee”	the committee of Directors consisting of Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements
“Independent Shareholders”	Shareholders other than CEC and its associates
“Latest Practicable Date”	30 January 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Agreement”	the loan agreement proposed to be entered into between the Company as lender and Sang Fei as borrower
“Option(s)”	option(s) which have been granted under the Company’s share option scheme approved and adopted by the Shareholders on 20 June 2002
“Other Vendors”	Ms. Wang Qinsheng, Mr. Liu Weiping, Mr. Dong Haoran, Mr. Huang Guoyong, Mr. Sun Xiaonian, Mr. Cheng Jing, Mr. Xiao Gang and Mr. Jiang Shiping, being all the vendors under the Other Vendors Agreement
“Other Vendors Agreement”	the conditional equity transfer agreement dated 20 June 2008 entered into between the Company and the Other Vendors in relation to the acquisition of an aggregate of 27.75% equity interest in Hua Da Electronics by the Company
“Pledge”	the pledge proposed to be entered into between Sang Fei as chargor and the Company as chargee as security for the loan to be extended by the Company to Sang Fei under the Loan Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sang Da”	深圳市桑達實業股份有限公司 (Shenzhen SED Industry Co., Ltd.)
“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 situated at Levels 2 to 5 and a multi-purpose room on Level 4 of Sang Da Technology Building, Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held on Thursday, 26 February 2009 to consider and, if thought fit, to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements, notice of which is set out on pages 38 to 40 of this circular
“Share(s)”	ordinary share(s) in the Company’s issued share capital with a par value of HK\$0.01 per share which are listed on the Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2009 First Tenancy Agreement”	the conditional tenancy agreement dated 16 January 2009 entered into between Sang Da as landlord and Sang Fei as tenant in relation to the lease of the premises situated at 11 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC

DEFINITIONS

“2009 Second Tenancy Agreement”	the conditional tenancy agreement dated 16 January 2009 entered into between Sang Da as landlord and Sang Fei as tenant in relation to the lease of the premises situated at Levels 3 and 4 of Sang Da Technology Industrial Building, 9 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
“2009 Tenancy Agreements”	together, the 2009 First Tenancy Agreement, the 2009 Second Tenancy Agreement and the 2009 Third Tenancy Agreement
“2009 Third Tenancy Agreement”	the conditional tenancy agreement dated 16 January 2009 entered into between Sang Da as landlord and Sang Fei as tenant in relation to the lease of 60 units at Block No.4, Hi-Tech Dormitory Building, Science and Technology South Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
“%”	per cent.

For ease of reference only, the names of PRC established companies and entities have been included in this circular in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective Chinese names, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Non-executive Directors:

Xiong Qunli (Chairman)

Tong Baoan (Vice Chairman)

Executive Directors:

Fan Qingwu (Managing Director)

Hua Longxing

Independent Non-executive Directors:

Chan Kay Cheung

Wong Po Yan

Yin Yongli

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

*Principal place of business
in Hong Kong:*

Room 3503, 35th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

4 February 2009

To the Shareholders

Dear Sir or Madam,

POSSIBLE FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 16 January 2009, the Board announced that CEC Finance and the Company propose to provide financial assistance of RMB60 million and HK\$46 million to Sang Fei (the principal operating subsidiary of the Company) through the Factoring Agreement and the Loan Agreement, respectively, which agreements have not been entered into pending approval of the Independent Shareholders at the SGM.

* For identification purpose only

LETTER FROM THE BOARD

Pursuant to the Factoring Agreement, CEC Finance will make available to Sang Fei a one-year revolving factoring facility of up to RMB60 million. Prior to each drawdown, Sang Fei is required to assign its account receivables to CEC Finance with recourse at a discount rate of 80%.

Pursuant to the Loan Agreement, the Company will make available a term loan facility of HK\$46 million to Sang Fei. The Company and Sang Fei will execute the Pledge pursuant to which a floating charge over the stock of mobile handsets, mobile handsets batteries and semi-finished mobile handsets of Sang Fei from time to time with a book value of not less than RMB80 million will be created in favour of the Company as security to the Loan Agreement.

As CEC Finance is a subsidiary of CEC (the ultimate controlling shareholder of the Company) and therefore a connected person of the Company, the Factoring Agreement, when executed, will constitute a connected transaction of the Company under the Listing Rules. Since Sang Fei will provide security for the revolving factoring facility by assigning its account receivables to CEC Finance, the provision of financial assistance by CEC Finance under the Factoring Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The equity interest of Sang Fei is owned as to 65% by the Company, as to 25% by Shenzhen SED Electronics Group Co., Ltd. and as to 10% by Sang Da. Shenzhen SED Electronics Group Co., Ltd. is a subsidiary of CEC and the issued share capital of Sang Da was indirectly owned as to approximately 42.23% by CEC as at the Latest Practicable Date. Sang Fei, being a non-wholly owned subsidiary of the Company whose equity interest is owned as to more than 10% by the associates of CEC, is a connected person of the Company according to Rule 14A.11(5) of the Listing Rules. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Loan Agreement are more than 2.5%, the Loan Agreement together with the Pledge (being the security document for the Loan Agreement), when executed, will constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this circular, the Factoring Agreement, the Loan Agreement and the Pledge have not been executed. All of the Factoring Agreement, the Loan Agreement and the Pledge are subject to the approval of the Independent Shareholders at the SGM and it is intended that CEC Finance and Sang Fei will enter into the Factoring Agreement and the Company and Sang Fei will enter into the Loan Agreement and the Pledge, after obtaining the approval of the Independent Shareholders at the SGM. Further announcement will be made by the Company upon execution of each of the Factoring Agreement and the Loan Agreement. In the event that there is any material change to the terms of the Factoring Agreement and the Loan Agreement as verbally agreed between the parties, the Company will seek approval from the Independent Shareholders again.

LETTER FROM THE BOARD

On 16 January 2009, Sang Fei entered into the 2009 First Tenancy Agreement, 2009 Second Tenancy Agreement and 2009 Third Tenancy Agreement with Sang Da pursuant to which Sang Fei agreed to lease certain factory premises and staff quarters from Sang Da for a term of three years.

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da was in turn indirectly owned as to approximately 42.23% by CEC as at the Latest Practicable Date. As such, Sang Da is a connected person of the Company and the transactions contemplated under the 2009 Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the transactions contemplated under the 2009 Tenancy Agreements, the Group has also been leasing certain properties from members of the CEC Group through the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement. On 20 June 2008, the Company announced that it entered into the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement pursuant to which the Company agreed to acquire the entire equity interests in Hua Da Electronics. Hua Da Electronics entered into the Hua Da Tenancy Agreement with Beijing Huada Zhibao, a subsidiary of CEC, on 20 June 2008 pursuant to which Hua Da Electronics leased certain premises situated in Gaojiayuan, Beijing, PRC from Beijing Huada Zhibao. The Hua Da Tenancy Agreement will, after completion of the China Hua Da Acquisition, become a continuing connected transaction of the Company.

Under the Listing Rules, the transactions under the 2009 Tenancy Agreements, the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement, will be aggregated and treated as if they were one transaction.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the 2009 Tenancy Agreements, the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement, as aggregated, are more than 2.5%, the 2009 Tenancy Agreements are, pursuant to Rule 14A.35 of the Listing Rules, subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. In this respect, Altus has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with further information relating to the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements, the letter from Altus containing its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the notice of the SGM.

LETTER FROM THE BOARD

POSSIBLE FINANCIAL ASSISTANCE

Factoring Agreement

The principal terms of the Factoring Agreement are summarised as follows:

Date: 16 January 2009, being the date on which the parties agreed on the terms of the Factoring Agreement verbally

Parties: (i) CEC Finance (as lender)

(ii) Sang Fei (as borrower)

Loan amount: A revolving factoring facility of up to RMB60 million

Factoring ratio: Prior to each drawdown, Sang Fei is required to assign its account receivables to CEC Finance with recourse at a discount rate of 80%.

Availability period: A period of one year commencing from the effective date of the Factoring Agreement (being the date on which the conditions precedent to the Factoring Agreement are fulfilled), during which period, Sang Fei may at any time make drawdown by assigning its account receivables which are repayable within the next 12 months to CEC Finance.

Factoring period and interest rate: The factoring period of any account receivable shall not be longer than 11 months, which period refers to the period commencing from the date on which the account receivable is factored until the agreed settlement date of the account receivable. If the account receivable is not recovered after the expiry of the factoring period, an additional period of a maximum of one month may be allowed for the recovery of the account receivable. If the account receivable or any part of it still remains outstanding after the expiry of the additional period, CEC Finance may request Sang Fei to repurchase the outstanding account receivable.

The interest rates applicable to the factoring period, the additional period and the period thereafter are set out below:

Factoring period and additional period:	the standard rate promulgated by the People's Bank of China from time to time for RMB short-term loans for a period of more than three months and up to and including six months
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LETTER FROM THE BOARD

Thereafter: 130% of the standard rate promulgated by the People's Bank of China from time to time for RMB short-term loans for a period of more than three months and up to and including six months, or the interest rate payable at the expiry of the additional period, whichever is the higher

All interests are payable quarterly in arrears.

Conditions precedent to the Factoring Agreement: The Factoring Agreement will be conditional upon the obtaining of all necessary approvals, consents and permits in respect of the Factoring Agreement.

Loan Agreement

The principal terms of the Loan Agreement are summarised as follows:

Date: 16 January 2009, being the date on which the parties agreed on the terms of the Loan Agreement verbally

Parties: (i) the Company (as lender)
(ii) Sang Fei (as borrower)

Loan amount: Secured term loan facility of HK\$46 million in two tranches of HK\$23 million each

Purposes: To finance the purchase of raw materials and as general working capital

Interest rate: Hong Kong dollar best lending rate offered by Bank of China (Hong Kong) Limited from time to time, payable quarterly in arrears

Availability period: Tranche one loan facility – from the effective date of the Loan Agreement, being the date on which the conditions precedent to the Loan Agreement are fulfilled, up to the expiry of two months from the effective date

Tranche two loan facility – within five business days from the date falling three months after the drawdown of the tranche one loan facility

Maturity date: For both tranche one and tranche two loan facilities, the maturity date is the date falling one year after the drawdown date of the tranche one loan facility

LETTER FROM THE BOARD

Extension of term:	Sang Fei may, by giving written notice to the Company no later than 60 business days prior to the maturity date of the Loan Agreement, request for extension of the term of the Loan Agreement.
Prepayment:	Sang Fei may, by giving not less than 15 business days' prior written notice, request for full or partial prepayment of the amount outstanding. Prepayment can only be made after obtaining consent from the Company. No penalty is payable in respect of any prepayment.
Conditions precedent to the Loan Agreement:	The Loan Agreement will be conditional upon the obtaining of all necessary approvals, consents and permits in respect of the Loan Agreement and the Pledge (including the registration of the Pledge by the relevant regulatory authorities).
Conditions precedent to drawdown:	As a condition precedent to each drawdown, no events which would have a material effect on the repayment ability of Sang Fei or would change the operation model of Sang Fei should have arisen or will arise.

According to the Loan Agreement, the Company and Sang Fei shall execute the Pledge to create a floating charge over the stock of mobile handsets, mobile handsets batteries and semi-finished mobile handsets of Sang Fei from time to time with a book value of not less than RMB80 million as security to the Loan Agreement. As of the date of this circular, the Pledge has not been signed, pending approval of the Independent Shareholders at the SGM.

Reasons for the Possible Financial Assistance

As a consequence of the recent global financial crisis, banks in the PRC have generally tightened their credit policies. As a result, Sang Fei has been looking for alternative financing arrangements. In view of this, the Company and CEC Finance propose to provide financial support to Sang Fei for its operations.

The Directors consider that the Factoring Agreement will provide Sang Fei with the right and flexibility, which it may choose to factor its account receivables to CEC Finance and secure a more stable financing for its operations. The Directors also consider that the Loan Agreement will provide Sang Fei with additional financial resources for its operations.

The Directors are of the view that the Factoring Agreement, the Loan Agreement and the Pledge are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Listing Rules Implications

Sang Fei is the principal operating subsidiary of the Company whose equity interest is owned as to 65% by the Company, as to 25% by Shenzhen SED Electronics Group Co., Ltd. and as to 10% by Sang Da.

Shenzhen SED Electronics Group Co., Ltd. is a subsidiary of CEC. Sang Da is a company listed on the Shenzhen Stock Exchange whose issued share capital was indirectly owned as to approximately 42.23% by CEC as at the Latest Practicable Date.

CEC, which indirectly owned approximately 74.98% of the issued share capital of the Company as at the Latest Practicable Date, is the ultimate controlling shareholder of the Company and hence a connected person of the Company. CEC Finance, being a subsidiary of CEC, is also a connected person of the Company. Sang Fei, being a non-wholly owned subsidiary of the Company whose equity interest is owned as to more than 10% by the associates of CEC, is a connected person of the Company according to Rule 14A.11(5) of the Listing Rules.

The Factoring Agreement, when executed, will constitute a connected transaction of the Company under the Listing Rules. Since Sang Fei will provide security for the revolving factoring facility by assigning its account receivables to CEC Finance, the provision of financial assistance by CEC Finance under the Factoring Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Loan Agreement are more than 2.5%, the Loan Agreement together with the Pledge (being the security document for the Loan Agreement), when executed, will constitute connected transactions for the Company under the Listing Rules which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this circular, the Factoring Agreement, the Loan Agreement and the Pledge have not been executed. It is intended that CEC Finance and Sang Fei will enter into the Factoring Agreement and the Company and Sang Fei will enter into the Loan Agreement and the Pledge, after obtaining the approval of the Independent Shareholders at the SGM. Further announcement will be made by the Company upon execution of each of the Factoring Agreement and the Loan Agreement. In the event that there is any material change to the terms of the Factoring Agreement and the Loan Agreement as verbally agreed between the parties, the Company will seek approval from the Independent Shareholders again.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

On 16 January 2009, Sang Fei entered into the 2009 First Tenancy Agreement, 2009 Second Tenancy Agreement and 2009 Third Tenancy Agreement with Sang Da pursuant to which Sang Fei agrees to lease certain factory premises and staff quarters from Sang Da for a term of three years.

2009 First Tenancy Agreement

Date:	16 January 2009
Landlord:	Sang Da
Tenant:	Sang Fei
Premises:	11 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
Term:	Subject to the approval by the Independent Shareholders of the 2009 First Tenancy Agreement at the SGM, the 2009 First Tenancy Agreement will take retrospective effect from 1 January 2009 and will expire on 31 December 2011. Sang Fei has the right to request for the renewal of the 2009 First Tenancy Agreement by giving written notice to Sang Da three months prior to the expiry of the 2009 First Tenancy Agreement.
Gross floor area:	Approximately 14,000 square metres
Rental:	RMB441,000 per month throughout the term of the 2009 First Tenancy Agreement, payable in cash on the tenth day of each month.
Management fee:	No management fee is payable for the premises.
Utilities charges:	Sang Fei shall pay for electricity and water consumed on an actual consumption basis at cost.
Usage:	Factory premises

The aggregate rentals payable by Sang Fei to Sang Da under the 2009 First Tenancy Agreement for each of the three financial years ending 31 December 2009, 2010 and 2011 will not exceed RMB5,292,000 per annum and such amount has been set as the annual cap for the transactions contemplated under the 2009 First Tenancy Agreement for each of the three financial years ending 31 December 2009, 2010 and 2011 accordingly.

LETTER FROM THE BOARD

2009 Second Tenancy Agreement

Date: 16 January 2009

Landlord: Sang Da

Tenant: Sang Fei

Premises: Levels 3 and 4 of Sang Da Technology Industrial Building, 9 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC

Term: Subject to the approval by the Independent Shareholders of the 2009 Second Tenancy Agreement at the SGM, the 2009 Second Tenancy Agreement will take retrospective effect from 1 January 2009 and will expire on 31 December 2011.

Sang Fei has the right to request for the renewal of the 2009 Second Tenancy Agreement by giving written notice to Sang Da three months prior to the expiry of the 2009 Second Tenancy Agreement.

Gross floor area: Approximately 4,680 square metres

Rental: RMB140,400 per month throughout the term of the 2009 Second Tenancy Agreement, payable in cash on the tenth day of each month.

Management fees: No management fee is payable for the premises.

Utilities charges: Sang Fei shall pay for electricity and water consumed on an actual consumption basis at cost.

Usage: Factory premises

The aggregate rentals payable by Sang Fei to Sang Da under the 2009 Second Tenancy Agreement for each of the three financial years ending 31 December 2009, 2010 and 2011 will not exceed RMB1,684,800 per annum and such amount has been set as the annual cap for the transactions contemplated under the 2009 Second Tenancy Agreement for each of the three financial years ending 31 December 2009, 2010 and 2011 accordingly.

LETTER FROM THE BOARD

2009 Third Tenancy Agreement

Date:	16 January 2009
Landlord:	Sang Da
Tenant:	Sang Fei
Premises:	60 units at Block No.4, Hi-Tech Dormitory Building, Science and Technology South Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
Term:	Subject to the approval by the Independent Shareholders of the 2009 Third Tenancy Agreement at the SGM, the 2009 Third Tenancy Agreement will take retrospective effect from 1 January 2009 and will expire on 31 December 2011. Sang Fei has the right to request for the renewal of the 2009 Third Tenancy Agreement by giving written notice to Sang Da three months prior to the expiry of the 2009 Third Tenancy Agreement.
Gross floor area:	Approximately 2,336 square metres
Rental:	RMB60,000 per month throughout the term of the 2009 Third Tenancy Agreement, payable in cash on the tenth day of each month.
Management fees:	RMB14,022 per six months throughout the term of the 2009 Third Tenancy Agreement, payable in cash semi-annually.
Utilities charges:	Sang Fei shall pay for electricity and water consumed on an actual consumption basis at cost.
Usage:	Staff quarters

The aggregate rentals and management fees payable by Sang Fei to Sang Da under the 2009 Third Tenancy Agreement for each of the three financial years ending 31 December 2009, 2010 and 2011 will not exceed RMB749,000 and such amount has been set as the annual cap for the transactions contemplated thereunder for each of the three financial years ending 31 December 2009, 2010 and 2011 accordingly.

LETTER FROM THE BOARD

Reasons for Entering into the 2009 Tenancy Agreements

Sang Fei has been occupying the premises as its production facilities and staff quarters under the old tenancy agreements, details of which were set out in the circular of the Company dated 21 June 2004. These old tenancy agreements have been approved by the then independent shareholders of the Company at a special general meeting held on 14 July 2004. The Company confirmed that the amounts of transactions under the old tenancy agreements have not exceeded the relevant annual cap. Since the old tenancy agreements in respect of the premises have already expired on 31 December 2008, Sang Fei and Sang Da entered into negotiations with regard to the terms of the tenancy, in particular the rental and the gross floor area to be leased, and concluded to enter into the 2009 Tenancy Agreements to renew the tenancy on 16 January 2009. The terms of the 2009 Tenancy Agreements 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 aggregate rental accrued under the 2009 Tenancy Agreements for the period from 1 January 2009 to 16 January 2009, being the date of the announcement regarding the continuing connected transactions under the 2009 Tenancy Agreements, is less than 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules.

The Directors are of the view that the continuing connected transactions contemplated under the 2009 Tenancy Agreements will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that these continuing connected transactions and the proposed caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da was in turn indirectly owned as to approximately 42.23% by CEC, the ultimate controlling shareholder of the Company, as at the Latest Practicable Date. As such, Sang Da is a connected person of the Company and the transactions contemplated under the 2009 Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the transactions contemplated under the 2009 Tenancy Agreements, the Group has also been leasing certain properties from members of the CEC Group through the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement. On 20 June 2008, the Company announced that it entered into the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement pursuant to which the Company agreed to acquire the entire equity interests in Hua Da Electronics. Hua Da Electronics entered into the Hua Da Tenancy Agreement with Beijing Huada Zhibao, a subsidiary of CEC, on 20 June 2008 pursuant to which Hua Da Electronics leased certain premises situated in Gaojiayuan, Beijing, PRC from Beijing Huada Zhibao. The Hua Da Tenancy Agreement will, after completion of the China Hua Da Acquisition, become a continuing connected transaction of the Company.

LETTER FROM THE BOARD

Details of the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement are set out in the announcements of the Company dated 20 June 2008, 9 April 2008 and 15 September 2006, respectively.

Under the Listing Rules, the transactions under the 2009 Tenancy Agreements, the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement, will be aggregated and treated as if they were one transaction.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the 2009 Tenancy Agreements, the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement, as aggregated, are more than 2.5%, the 2009 Tenancy Agreements are, pursuant to Rule 14A.35 of the Listing Rules, subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

A notice convening the SGM to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 26 February 2009 at 3:00 p.m. is set out on pages 38 to 40 of this circular. At the SGM, ordinary resolutions will be proposed to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The vote of the Independent Shareholders at the SGM shall be taken by poll.

In accordance with the Listing Rules, CEC, the Company's ultimate controlling shareholder holding 74.98% interest in the Company as at the Latest Practicable Date, and its associates, will abstain from voting on the ordinary resolutions approving the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

GENERAL INFORMATION

The Company is an investment holding company. Sang Fei is the principal operating subsidiary of the Company and is primarily engaged in the manufacturing and sale of mobile handsets and other portable electronic products.

LETTER FROM THE BOARD

CEC Finance is a non-bank financial institution approved and regulated by the People's Bank of China and China Banking Regulatory Commission. CEC Finance was established for the purpose of enhancing the centralised management of funds among the members of the CEC Group and for improving the fund utilisation efficiency of the CEC Group as a whole.

Sang Da is a state-owned enterprise established under the laws of the PRC. The issued A shares of Sang Da are listed on the Shenzhen Stock Exchange and were indirectly owned as to approximately 42.23% by CEC as at the Latest Practicable Date. Sang Da is principally engaged in the manufacturing, research and development, sale and distribution of electronic components and consumer electronic products as well as real estate development.

CEC is a state-owned enterprise established under the laws of the PRC. Established in 1989 with the approval of the State Council of the PRC, CEC is a nationwide electronics and information technology conglomerate directly administered by the PRC government. CEC actively focuses on communications, consumer electronics, semi-conductor and software sectors in the PRC.

RECOMMENDATION

Altus has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. Altus considers that the terms of the Factoring Agreement, the Loan Agreement and the Pledge are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Altus further considers that the entering into of the Factoring Agreement, the Loan Agreement and the Pledge is in the interest of the Company and the Shareholders as a whole and although the Loan Agreement and the Pledge are not conducted in the ordinary and usual course of business of the Company, it is reasonable for the Company to financially support Sang Fei during the current global economic downturn and tight credit conditions. In relation to the 2009 Tenancy Agreements, Altus considers that the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and their proposed annual caps are in the interests of the Company and the Shareholders as a whole. Altus also considers that the terms of the 2009 Tenancy Agreements and the proposed annual caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Altus advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The text of the letter from Altus containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 22 to 31 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, after considering the advice from Altus, concurs with the view of Altus and considers that the terms of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The text of the letter from the Independent Board Committee is set out on pages 20 to 21 of this circular.

FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the letter from Altus which contains its advice to the Independent Board Committee and the Independent Shareholders, and the additional information set out in the Appendix to this circular.

Yours faithfully,

For and on behalf of the Board

China Electronics Corporation Holdings Company Limited

Xiong Qunli

Chairman



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)

4 February 2009

To the Independent Shareholders

Dear Sir or Madam,

**POSSIBLE FINANCIAL ASSISTANCE AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the “**Circular**”) of the Company dated 4 February 2009, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

On 16 January 2009, the Company announced that CEC Finance and the Company propose to provide financial assistance of RMB60 million and HK\$46 million to Sang Fei (the principal operating subsidiary of the Company) through the Factoring Agreement and the Loan Agreement, respectively, which agreements have not been entered into pending approval of the Independent Shareholders at the SGM.

On the same date, Sang Fei entered into the 2009 First Tenancy Agreement, 2009 Second Tenancy Agreement and 2009 Third Tenancy Agreement with Sang Da pursuant to which Sang Fei agreed to lease certain factory premises and staff quarters from Sang Da for a term of three years.

We have been appointed by the Board to advise you as to whether the terms of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements are set out in the section headed “Letter from the Board” of the Circular.

Altus has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The text of the letter of advice from Altus containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 22 to 31 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, after taking advice from Altus, concur with the view of Altus and consider that the terms of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements, as detailed in the notice of the SGM set out at the end of the Circular.

Yours faithfully,
Independent Board Committee

Chan Kay Cheung

Wong Po Yan

Yin Yongli

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in respect of the Factoring Agreement, the Loan Agreement, the Pledge, the 2009 Tenancy Agreements and the transactions contemplated thereunder for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED

8th Floor, Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

4 February 2009

The Independent Board Committee and the Independent Shareholders

China Electronics Corporation Holdings Company Limited

Room 3503, 35th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

POSSIBLE FINANCIAL ASSISTANCE AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Factoring Agreement, the Loan Agreement, the Pledge, the 2009 Tenancy Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular of the Company dated 4 February 2009 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 16 January 2009, the Board announced that CEC Finance proposes to enter into the Factoring Agreement for a revolving factoring facility of up to RMB60 million with Sang Fei. The Factoring Agreement will be executed upon obtaining the approval of the Independent Shareholders at the SGM.

As at the Latest Practicable Date, CEC is the ultimate controlling shareholder of the Company with shareholding of approximately 74.98%. Sang Fei is the principal operating subsidiary of the Company which is owned as to 65% by the Company, as to 25% by Shenzhen SED Electronics Group Co., Ltd. and as to 10% by Sang Da. Shenzhen SED Electronics Group Co., Ltd. is a subsidiary of CEC and Sang Da is indirectly owned as to approximately 42.23%

LETTER FROM ALTUS

by CEC. Accordingly, Sang Fei, being a non-wholly owned subsidiary of the Company whose equity interest is owned as to more than 10% by the associates of CEC, is a connected person of the Company. CEC Finance, being a subsidiary of CEC is also a connected person of the Company. The Factoring Agreement, when executed, will therefore constitute a connected transaction for the Company under the Listing Rules, which will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 16 January 2009, the Board also announced that the Company proposes to enter into the Loan Agreement together with the Pledge for a term loan facility of HK\$46 million with Sang Fei. The Loan Agreement will be executed upon obtaining the approval of the Independent Shareholders at the SGM. As Sang Fei is a connected person of the Company and certain applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Loan Agreement are more than 2.5%, the Loan Agreement (together with the Pledge), when executed, will constitute a connected transaction for the Company under the Listing Rules, which will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 16 January 2009, Sang Fei entered into the 2009 Tenancy Agreements with Sang Da pursuant to which Sang Fei agrees to lease certain factory premises and staff quarters for a term of three years. The 2009 Tenancy Agreements are to renew the old tenancy agreements which expired on 31 December 2008. As Sang Da is a connected person of the Company, the transactions contemplated under the 2009 Tenancy Agreements constitute continuing connected transactions of the Company under the Listing Rules. Pursuant to the Listing Rules, the transactions contemplated under the 2009 Tenancy Agreements, together with the Group's other tenancy agreements with other members of the CEC Group (being the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement and the Great Wall Tenancy Agreement) will be aggregated and treated as if they were one transaction. As certain applicable percentage ratios set out in Rule 14.07 of the Listing Rule in respect of these tenancy agreements are more than 2.5%, the 2009 Tenancy Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the terms of the Factoring Agreement, the Loan Agreement, the Pledge, the 2009 Tenancy Agreements and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and as to how the Independent Shareholders should vote in respect of the resolutions to approve the Factoring Agreement, the Loan Agreement, the Pledge, the 2009 Tenancy Agreements and the transactions contemplated thereunder at the SGM.

LETTER FROM ALTUS

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

I. THE FINANCIAL ASSISTANCE

In formulating our opinion on the Factoring Agreement, the Loan Agreement and the Pledge, we have taken into consideration the following principal factors and reasons:

1. Business overview of the Group

The Company is an investment holding company. Sang Fei, which the Company has 65% shareholding interest, is its sole principal operating subsidiary. Sang Fei primarily engages in the manufacturing and sales of mobile handsets and other portable electronic products.

LETTER FROM ALTUS

The following sets out the financial results of the Group for the six months ended 30 June 2008 and 30 June 2007 respectively and the two years ended 31 December 2007.

	For the six months		For the year ended	
	ended 30 June		31 December	
	2008	2007	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Turnover	1,037,337	1,313,382	3,167,708	3,549,329
Operating (loss)/profit	(101,085)	19,454	(21,484)	69,852
(Loss)/Profit for the period/year	(93,531)	27,254	12,523	69,159

The Group's turnover, which was substantially contributed by Sang Fei as it is the sole principal operating subsidiary, has decreased by about 21.0% from approximately HK\$1,313.38 million for the six months ended 30 June 2007 to approximately HK\$1,037.34 million for the six months ended 30 June 2008. Coupled with rising selling and marketing costs, the Group recorded an operating loss of approximately HK\$101.09 million for the six months ended 30 June 2008 as compared to a profit of HK\$19.45 million for the previous corresponding period. The Group's result for the period also has deteriorated from a profit of approximately HK\$27.25 million for the six months ended 30 June 2007 to a loss of approximately HK\$93.53 million for the six months ended 30 June 2008.

As mentioned in the Company's 2008 interim report, a series of business reengineering has been implemented so as to redefine and streamline its PRC and overseas sales network and to recover its business market share. The overall progress of business reform was however slower than expected. Sales orders from distributors were substantially deferred and reduced, which adversely affected the sales performance during the period. On 19 December 2008, the Company made a profit warning announcement stating that the Group is expected to record a loss for the year ended 31 December 2008 as compared to a profit in previous period. The Board attributed such expected loss to (i) decline in revenue; and (ii) exchange rate fluctuations. The management of the Company is of the view that Sang Fei had experienced a difficult operating environment during the recent global credit crisis and consequently led to a decline in revenue in 2008.

We were advised by the management of the Company that they expect competition continues to be intense in the PRC and overseas arena. In view of the growing competition, Sang Fei will further enhance its production efficiency, reduce its production cost and install greater initiatives to boost sales. As disclosed in the Company's 2008 interim report, Sang Fei has undertaken new business model and set up new functional units to handle additional sales and marketing activities. The two newly established subsidiaries in Russia and Turkey and a sales coordination centre in Singapore had improved the Group's overall operational efficiency. In addition, the gradual rollout of the 3G projects in PRC as well as the ongoing growth of the emerging global markets will

also provide the Group with new business development opportunities. Given the Group's plans for the next few years, we are of the view that it is important for Sang Fei to secure stable financing sources so as to support its current operations and further business expansions.

2. Current credit environment

The current global credit crisis has resulted in difficulties to obtain financing from financial institutions. Banks globally, as well as in the PRC, have generally tightened their credit policies resulting in less loans being available. Banks also typically apply more stringent terms such as requiring more pledges and guarantees or charging higher interest rates. According to the management of the Company, banks have been increasingly requesting Sang Fei for pledges to secure its banking facilities. Consequently, Sang Fei has been looking for alternative financing arrangement.

3. Rationale and the terms of the Factoring Agreement

CEC Finance, a subsidiary of CEC, proposes to enter into the Factoring Agreement, pursuant to which CEC Finance will make available to Sang Fei a one-year revolving factoring facility of up to RMB60 million. Sang Fei meanwhile will provide security by assigning its account receivables to CEC Finance with recourse at a discount rate of 80%.

Different interest rates are applicable to different periods under the Factoring Agreement. The interest rates applicable to the factoring period, the additional period and the period thereafter are set out below:

Factoring period and additional period:	the standard rate promulgated by the People's Bank of China from time to time for RMB short-term loans for a period of more than three months and up to and including six months
Thereafter:	130% of the standard rate promulgated by the People's Bank of China from time to time for RMB short-term loans for a period of more than three months and up to and including six months, or the interest rate payable at the expiry of the additional period, whichever is the higher

The current standard rate promulgated by the People's Bank of China from time to time for RMB short-term loans for a period of more than three months and up to and including six months is 4.86% per annum. Based on our research, the interest rate applicable to different periods and the discount rate of 80% for the factoring ratio under the Factoring Agreement are comparable to general factoring arrangements in the market in PRC. The terms of the Factoring Agreement, including the factoring discount rate and a higher interest rate as penalty interest, are fair and reasonable and on normal commercial terms.

LETTER FROM ALTUS

Having considered that the current adverse condition in the credit market and it is important for Sang Fei to secure a stable financing source so as to support its current operations and further business expansions, the Factoring Agreement is therefore, in our opinion, an appropriate means of obtaining funds for Sang Fei and is in the interest of the Company and the Shareholders as a whole.

4. Rationale and the terms of the Loan Agreement

The Company proposes to enter into the Loan Agreement, pursuant to which the Company will provide to Sang Fei a term loan facility of HK\$46 million. Sang Fei meanwhile will provide security by executing the Pledge to create a floating charge over the stock of mobile handsets, mobile handsets batteries and semi-finished mobile handsets of Sang Fei from time to time with a book value of not less than RMB80 million. The term loan facility will be in two tranches. The tranche one loan facility will be available from the effective date of the Loan Agreement up to the expiry of two months from the effective date. The tranche two loan facility will be available within five business days from the date falling three months after the drawdown of the tranche one loan facility. For both tranches of loan facility, the maturity date is the date falling one year after the drawdown date of the tranche one loan facility.

Sang Fei may request for extension of the term of the Loan Agreement by giving written notice to the Company no later than 60 business days prior to the maturity date of the Loan Agreement. Sang Fei may also request for full or partial prepayment of the amount outstanding by giving not less than 15 business days' prior written notice. Nevertheless, prepayment can only be made after obtaining consent from the Company and no penalty is payable in respect of any prepayment.

Pursuant to the Loan Agreement, the interest rate payable by Sang Fei to the Company will be based on the Hong Kong dollar best lending rate offered by Bank of China (Hong Kong) Limited from time to time, which is a common practice for commercial banks in Hong Kong. As at the Latest Practicable Date, the Hong Kong dollar best lending rate of Bank of China (Hong Kong) Limited is 5.00%. Based on the information provided by the Hong Kong Monetary Authority, the best lending rates have ranged from 5.00% to 6.75% per annum from 13 December 2007 to 10 November 2008.

The purposes of the loan facility are to finance the purchase of raw materials and as general working capital for Sang Fei. As discussed in Section 1 above, Sang Fei is also embarking on several business development plans. The Loan Agreement will provide Sang Fei with additional financial resources to support its operations.

The Group recorded operating profits of approximately HK\$97.64 million, approximately HK\$96.75 million and approximately HK\$69.85 million in 2004, 2005 and 2006 respectively. Due to market weakness and the current economic downturn, Sang Fei's operation has been adversely impacted and consequently the Group had recorded operating losses in 2007 and is expected to record further losses in 2008. Given the

LETTER FROM ALTUS

uncertainties of the market, Sang Fei's operation may continue to be under pressure. Sang Fei, being the sole principal operating subsidiary of the Company, has had good operating track record and has contributed positively to the Group. The Company will also be accorded reasonable level of security under the Loan Agreement. Taking the above into account, we believe that it is reasonable for the Company to support Sang Fei during the current period of global economic downturn and tight credit market through the Loan Agreement.

The remaining two Shareholders of Sang Fei are Shenzhen SED Electronics Group Co., Ltd. and Sang Da, which holds 25% and 10% respectively of equity interest of Sang Fei, and are a subsidiary and indirectly owned as to approximately 42.23% respectively by CEC. While the aforesaid shareholders of Sang Fei did not provide their proportionate financing under the Loan Agreement, CEC is indirectly providing Sang Fei with the financing through the Factoring Agreement.

We have reviewed the financial position of the Company. Based on its management accounts, the Company has maintained cash balance of not less than HK\$120 million as at 31 December 2008 and the Directors have confirmed that the Company does not have any immediate capital commitment which requires deployment of these cash balances. Given the Company's strong financial position, we are of the view that the Company has the capacity to provide the loan facility to Sang Fei.

Having considered the above, we are of the view that the terms of the Loan Agreement (together with the Pledge) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. The provision of loan facility, while not conducted in the ordinary and usual course of business of the Company, is in the interest of the Company and the Shareholders as a whole.

II. THE CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2009 TENANCY AGREEMENTS

In formulating our opinion on the continuing connected transactions in respect of the 2009 Tenancy Agreements, we have taken into consideration the following principal factors and reasons:

1. Background

The production facilities of Sang Fei are located within an industrial complex owned by the Sang Da. Sang Fei has been leasing factory premises and 60 apartments as staff quarters from Sang Da under the old tenancy agreements, which expired on 31 December 2008. The old tenancy agreements were approved by the then independent shareholders of the Company at a special general meeting held on 14 July 2004 (the details of which were set out in the circular of the Company dated 21 June 2004).

LETTER FROM ALTUS

On 16 January 2009, Sang Fei entered into the 2009 Tenancy Agreements to renew the old tenancy agreements. Subject to the approval from the Independent Shareholders at the SGM, the 2009 Tenancy Agreements will take retrospective effect from 1 January 2009 and will expire on 31 December 2011. The following table set out the key information of the 2009 Tenancy Agreements:

	2009 First Tenancy Agreement	2009 Second Tenancy Agreement	2009 Third Tenancy Agreement
Premises	11 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC	Levels 3 and 4 of Sang Da Technology Industrial Building, 9 Science and Technology Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC	60 units at Block No.4, Hi-Tech Dormitory Building, Science and Technology South Road, Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC
Gross floor area	Approximately 14,000 square metres	Approximately 4,680 square metres	Approximately 2,336 square metres
Expiry date	31 December 2011	31 December 2011	31 December 2011
Rental rate	RMB441,000 per month	RMB140,400 per month	RMB60,000 per month
Management fee	Nil	Nil	RMB14,022 per 6 months

2. Rationale for the 2009 Tenancy Agreements

Sang Fei's operating facilities have been occupying the aforesaid factory premises which are leased from Sang Da since it commenced business. When Sang Fei expanded its operations in April 2008, Sang Fei also rented premises in close proximity as per announcement of the Company dated 9 April 2008.

The terms of the 2009 Tenancy Agreements 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 as provided by an independent property valuer.

LETTER FROM ALTUS

Taking into consideration that (i) the rental rates are comparable to the market rates; (ii) Sang Fei has occupied the premise since it commenced business and relocating its production facilities could incur additional expenses and affect its production; and (iii) Sang Fei could achieve higher efficiency as its operations are all located at close proximity, we believe it is in the interest of the Company and the Shareholders as a whole for Sang Fei to continue leasing the production premises and staff quarters from the Sang Da.

3. The proposed caps amounts for the 2009 Tenancy Agreements (the “Caps”)

The proposed annual caps for the 2009 Tenancy Agreements are summarised below:

The Caps	For the year ending 31 December		
	2009 (RMB)	2010 (RMB)	2011 (RMB)
2009 First Tenancy Agreement	5,292,000	5,292,000	5,292,000
2009 Second Tenancy Agreement	1,684,800	1,684,800	1,684,800
2009 Third Tenancy Agreement (including management fees)	749,000	749,000	749,000

The proposed caps amounts for the 2009 First and Second Tenancy Agreements were determined with reference to the respective annual rental payable by Sang Fei to Sang Da. The proposed caps amounts for the 2009 Third Tenancy Agreement meanwhile were based on the respective annual rental payable and management fees payable of RMB720,000 per annum and RMB28,044 per annum respectively.

Based on the above, the Caps have been determined based on rate of rental as per the 2009 Tenancy Agreements and we believe this is a reasonable basis. We therefore consider that the Caps are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

The financial assistance

We are of the view that the terms of the Factoring Agreement, the Loan Agreement and the Pledge are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into the Factoring Agreement, the Loan Agreement and the Pledge is in the interest of the Company and the Shareholders as a whole. The Loan Agreement (together with the Pledge), while not conducted in the ordinary and usual course of business of the Company, it is reasonable for the Company to financially support Sang Fei, the principal operating subsidiary of the Group especially during the current global economic downturn and tight credit conditions.

LETTER FROM ALTUS

Based on the above, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the proposed resolutions approving the Factoring Agreement and the Loan Agreement (together with the Pledge) at the SGM.

The continuing connected transactions in respect of the 2009 Tenancy Agreements

Having considered the principal factors discussed above, we are of the view that the terms of the 2009 Tenancy Agreements including the Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. The continuing connected transactions in respect of the 2009 Tenancy Agreements are conducted in the ordinary course of business of the Company and the relevant proposed caps amounts are in the interests of the Company and the Shareholders as a whole. We would therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the proposed resolution approving the 2009 Tenancy Agreements at the SGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip
Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at Latest Practicable Date, the following Directors and chief executive of the Company had, or were deemed to have, interests or short positions in the shares, underlying shares or 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 and short positions which they were deemed or taken 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of Directors	Number and description of equity derivatives	No. of underlying Shares involved in the Options	Approximate % of the issued capital of the Company
Tong Baoan	2,280,000 Options ^(Note)	2,280,000 ^(L)	0.21%
Fan Qingwu	2,160,000 Options ^(Note)	2,160,000 ^(L)	0.20%
Hua Longxing	2,160,000 Options ^(Note)	2,160,000 ^(L)	0.20%
Total		<u>6,600,000</u>	<u>0.61%</u>

^L long position

Note:

The Options were all granted on 25 October 2005 under the share option scheme approved and adopted by the Shareholders on 20 June 2002. The Options represent personal interest held by the Directors as beneficial owners. Grantees of such Options are entitled to exercise the Options at a price of HK\$1.488 per Share in the following periods:

- (i) in respect of 50% of the Options stated above, from 1 November 2006 to 31 October 2009; and
- (ii) in respect of the remaining 50% of the Options stated above, from 1 November 2007 to 31 October 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or 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 and short positions which they were deemed or taken 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 referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Mr. Xiong Qunli, the Chairman of the Company and a non-executive Director, is the chairman of CEC. Mr. Tong Baoan, the Vice Chairman of the Company and a non-executive Director, is a director of China Electronics Corporation (BVI) Holdings Company Limited (“**CEC (BVI)**”). Mr. Fan Qingwu, the Managing Director and an executive Director, is also a director of CEC (BVI). Details of the shareholding of CEC and CEC (BVI) in the Company are set out in the paragraph headed “Substantial Shareholders” in this Appendix. Save as disclosed herein, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

Since 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, none of the Directors nor Altus had any direct or indirect interest 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.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number or attributable number of Shares held	Approximate percentage or attributable percentage of total issued share capital of the Company
CEC (BVI)	812,500,000 ^(L)	74.98%
China Hua Da	393,680,000 ^(L)	36.33%
CEC ^(Notes 1 and 2)	1,206,180,000 ^(L)	111.32%
SDIC High-Tech Investment Co., Ltd. ^(Note 2)	393,680,000 ^(L)	36.33%
The State Development and Investment Corporation ^(Note 2)	393,680,000 ^(L)	36.33%
Devon Fortune Limited (“Devon Fortune”)	71,129,358 ^(L)	6.56%
Chan Chak Shing (“Mr. Chan”)	75,254,358 ^{(L)(Note 3)}	6.95%
Wang Qinsheng	55,733,840 ^{(L)(Note 4)}	5.14%

^L long position

Notes:

- (1) CEC holds 100% interest in CEC (BVI) and is deemed to be interested in the shares held by CEC (BVI).
- (2) On 20 June 2008, the Company entered into the China Hua Da Agreement with China Hua Da in relation to the acquisition of 64.75% equity interest in Hua Da Electronics for a consideration of HK\$984.20 million which shall be satisfied by the Company allotting and issuing 393,680,000 Shares at an issue price of HK\$2.50 per Share.

The equity interest of China Hua Da is contributed as to 50% by CEC and as to 50% by SDIC High-Tech Investment Co., Ltd. SDIC High-Tech Investment Co., Ltd. is a wholly-owned subsidiary of The State Development and Investment Corporation, which is a state-owned investment holding company established under the laws of the PRC. By virtue of the SFO, CEC, SDIC High-Tech Investment Co., Ltd. and The State Development and Investment Corporation are deemed to be interested in the 393,680,000 Shares (to be allotted and issued upon completion of the China Hua Da Acquisition) which China Hua Da is interested in.

- (3) These 75,254,358 Shares represent the aggregate of: (i) the family interest of Mr. Chan of 4,125,000 Shares and (ii) the corporate interest of 71,129,358 Shares held by Devon Fortune. As Mr. Chan holds 100% interest in Devon Fortune, Mr. Chan is deemed to be interested in the Shares held by Devon Fortune.

- (4) On 20 June 2008, the Company entered into the Other Vendors Agreement with, among others, Ms. Wang Qinsheng, pursuant to which the Company agreed to purchase from Ms. Wang Qinsheng a 9.1668% equity interest in Hua Da Electronics for a consideration of HK\$139,334,600 which shall be satisfied by the Company allotting and issuing 55,733,840 Shares at an issue price of HK\$2.50 per Share.

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following corporations were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of subsidiary	Name of shareholder	Interest held (%)
Sang Fei	Shenzhen SED Electronics Group Co., Ltd. <i>(Note 1)</i>	25
Sang Fei	Sang Da <i>(Note 2)</i>	10

Notes:

- (1) Shenzhen SED Electronics Group Co., Ltd. is a company established in the PRC and is a subsidiary of CEC.
- (2) Sang Da is a company established in the PRC with its A shares listed on the Shenzhen Stock Exchange. Sang Da is indirectly owned as to approximately 42.23% by CEC as at the Latest Practicable Date.

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the Shares or the underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

5. EXPERT

Altus is a licensed corporation for types 4, 6 and 9 regulated activities under the SFO. Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they appear.

Altus is not beneficially interested in the share capital of any member of the Group and does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. COMPETING INTEREST

Mr. Xiong Qunli, the Chairman of the Company and a non-executive Director, is the chairman of CEC.

Currently, CEC is engaging in, or having subsidiaries or associates which are engaging in, mobile handset related businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

The abovementioned competing businesses are operated and managed by independent management and administration. In addition, the Directors consider that the business model of, and the markets served by, the Group are different from those of the abovementioned competing businesses. The Board exercises independent judgment and is always acting for the interests of the Company and the Shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the competing businesses mentioned above.

Apart from the above, none of the Directors nor his associates is or was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 19 December 2008 and the interim report of the Company for the six months ended 30 June 2008, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Linklaters, 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day from the date of this circular up to and including 20 February 2009 and at the SGM:

- (a) the Factoring Agreement;
- (b) the Loan Agreement;
- (c) the Pledge;
- (d) the 2009 Tenancy Agreements;
- (e) the China Hua Da Agreement;
- (f) the Beijing Shoufa Xinan Agreement;
- (g) the Other Vendors Agreement;
- (h) the Sang Da Tenancy Agreement;
- (i) the Great Wall Tenancy Agreement;
- (j) the Hua Da Tenancy Agreement;
- (k) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 20 to 21 of this circular;
- (l) the letter of advice from Altus to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 31 of this circular; and
- (m) the consent letter from Altus as referred to in the paragraph headed “Expert” in this Appendix.



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of China Electronics Corporation Holdings Company Limited (the “**Company**”) will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 26 February 2009 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the factoring agreement (the “**Factoring Agreement**”) proposed to be entered into between 中國電子財務有限責任公司 (China Electronics Corporation Finance Co., Ltd.) (“**CEC Finance**”) as lender and 深圳桑菲消費通信有限公司 (Shenzhen Sang Fei Consumer Communications Company Limited) (“**Sang Fei**”) as borrower, a copy of the latest draft of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, pursuant to which CEC Finance will make available to Sang Fei a one-year revolving factoring facility of up to RMB60 million, be and is hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute all such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Factoring Agreement and the transactions contemplated thereunder.”
2. “**THAT** the loan agreement (the “**Loan Agreement**”) proposed to be entered into between the Company as lender and Sang Fei as borrower pursuant to which the Company will make available a term loan facility of HK\$46 million to Sang Fei, together with the pledge (the “**Pledge**”) proposed to be entered into between the Company as chargee and Sang Fei as chargor as a security document for the Loan Agreement, copies of the latest draft of which have been initialled by the chairman of this meeting and for the purpose of identification marked “B” and “C”, be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to execute the Loan Agreement and the Pledge for and on behalf of the Company and to do all such further acts and things and execute all such

* For identification purpose only

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further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Loan Agreement and the Pledge and the transactions contemplated thereunder.”

3. “**THAT** the continuing connected transactions contemplated under the three tenancy agreements (the “**2009 Tenancy Agreements**”) each dated 16 January 2009 and entered into between 深圳市桑達實業股份有限公司 (Shenzhen SED Industry Co., Ltd.) (“**Sang Da**”) as landlord and Sang Fei as tenant pursuant to which Sang Fei agreed to lease from Sang Da certain factory premises and staff quarters situated at Shenzhen Hi-Tech Industrial Park, Nanshan District, Shenzhen, PRC, copies of which have been initialled by the chairman of this meeting and for the purpose of identification marked “D”, “E” and “F”, and the proposed annual caps be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorised to do all such further acts and things and execute all such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the 2009 Tenancy Agreements and the continuing connected transactions contemplated thereunder.”

By Order of the Board
China Electronics Corporation Holdings Company Limited
Ng Kui Kwan, Victor
Company Secretary

Hong Kong, 4 February 2009

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business in Hong Kong:
Room 3503, 35th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company but must be present in person at the meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the meeting or any adjournment thereof, should he so wish.

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3. In the case of joint holders of any shares, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the above ordinary resolutions will be taken by poll.