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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

POSSIBLE FINANCIAL ASSISTANCE

The Board announces 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.

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 is indirectly owned as to approximately 42.23% by CEC as at the date of this announcement. 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 announcement, 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.

2009 TENANCY AGREEMENTS

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.

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da is in turn indirectly owned as to approximately 42.23% by CEC as at the date of this announcement. 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.

SGM

The SGM will be convened to consider and, if thought fit, to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The vote of the Independent Shareholders at the SGM on the relevant ordinary resolutions shall be taken by poll.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements, the letter of advice from 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, the recommendation from the Independent Board Committee together with the notice of the SGM will be despatched to the shareholders of the Company as soon as practicable.

POSSIBLE FINANCIAL ASSISTANCE

Summary

The Board announces 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.

Pursuant to the Factoring Agreement, CEC Finance, a subsidiary of CEC, 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 at the date of this announcement, 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.

(1) 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: <table><tr><td>Factoring period and additional period:</td><td>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</td></tr><tr><td>Thereafter:</td><td>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</td></tr></table>		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
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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.
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(2) 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.
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 announcement, 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 (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) 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 its shareholders as a whole.

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 is indirectly owned as to approximately 42.23% by CEC as at the date of this announcement.

CEC, which indirectly owns approximately 74.98% of the issued share capital of the Company as at the date of this announcement, 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.

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.

(1) 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.

(2) 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.

(3) 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.

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 is less than 0.1% of each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) 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 its shareholders as a whole.

Listing Rules Implications

Sang Da is a substantial shareholder of Sang Fei holding 10% of its equity interest. Sang Da is in turn indirectly owned as to approximately 42.23% by CEC, the ultimate controlling shareholder of the Company, as at the date of this announcement. 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.

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

The SGM will be convened to consider and, if thought fit, to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements. The vote of the Independent Shareholders at the SGM on the relevant ordinary resolutions shall be taken by poll.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements, the letter of advice from 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, the recommendation from the Independent Board Committee together with the notice of the SGM will be despatched to the shareholders of the Company as soon as practicable.

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.

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 are indirectly owned as to approximately 42.23% by CEC as at the date of this announcement. 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.

DEFINITIONS

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

“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
“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
“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
“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 of the Company other than CEC and its associates
“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
“Other Vendors”	Ms. Wang Qinsheng, Mr. Liu Weiping, Mr. Dong Haoran, Mr. Huang Guoyong, Mr. Sun Xiaonian, Mr. Cheng Jinge, 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
“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
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the Factoring Agreement, the Loan Agreement, the Pledge and the 2009 Tenancy Agreements
“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
“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 announcement 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.

By order of the Board of
China Electronics Corporation Holdings Company Limited
Xiong Qunli
Chairman

Hong Kong, 16 January 2009

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Xiong Qunli (Chairman) and Tong Baoan (Vice Chairman), two Executive Directors, namely Fan Qingwu (Managing Director) and Hua Longxing, and three Independent Non-executive Directors, namely Chan Kay Cheung, Wong Po Yan and Yin Yongli.

* For identification purpose only