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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: 0085)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that Sang Fei, the principal operating subsidiary of the Company, has on 8 August 2007 entered into the Xenium Licence Agreement with Sang Da Electronics, pursuant to which Sang Da Electronics agreed to procure the licensing of the "Xenium" mark to Sang Fei and provide Sang Fei with sales channels services.

The Board also announces that Sang Fei has on the same date entered into the Comprehensive Services Agreements with P-Marshall Singapore and P-Marshall HK, pursuant to which P-Marshall Singapore and P-Marshall HK agreed to provide various business support services to Sang Fei. Such business support services include information technology services, human resources services, office space leasing services and such other business support services as Sang Fei may from time to time require.

The Board also announces that as a result of anticipated increase in the volume of transactions between Sang Fei and the CEC Group following the completion of the disposal of the mobile handsets business by the Philips Group to CEC, the Company has applied to the Stock Exchange for the revision of the annual caps for certain continuing connected transactions between Sang Fei and the CEC Group pursuant to the Business Services Agreement.

Sang Da Electronics is a subsidiary of CEC. Each of P-Marshall HK and P-Marshall Singapore is a wholly-owned subsidiary of Sang Da Electronics. CEC is the Company's ultimate controlling Shareholder, holding 74.98% interest in the Company and therefore all of Sang Da Electronics, P-Marshall HK, P-Marshall Singapore and CEC are connected persons of the Company. Accordingly, the transactions contemplated under the Xenium Licence Agreement, the Comprehensive Services Agreements and the Business Services Agreement are continuing connected transactions of the Company.

As the expected aggregate consideration payable by the Group under the Xenium Licence Agreement and the Comprehensive Services Agreements on an annual basis and the proposed revised annual caps for the various continuing connected transactions under the Business Services Agreement on an annual basis will exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Xenium Licence Agreement and the Comprehensive Services Agreements and the related proposed annual caps as well as the revision of the annual caps for the various continuing connected transactions under the Business Services Agreement are subject to the approval of the Independent Shareholders.

The SGM will be convened for the purpose of approving the Xenium Licence Agreement, the Comprehensive Services Agreements and the related annual caps as well as the revision of the annual caps for certain continuing connected transactions contemplated under the Business Services Agreement. In accordance with the Listing Rules, CEC and its associates will abstain from voting at the SGM. The vote of the Independent Shareholders on such resolutions will be taken by poll. A circular containing details relating to the Xenium Licence Agreement, the Comprehensive Services Agreements and the various continuing connected transactions contemplated under the Business Services Agreement, a letter from the Independent Board Committee, a letter from Altus and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

XENIUM LICENCE AGREEMENT

Date : 8 August 2007
Parties : Sang Da Electronics
Sang Fei

Pursuant to the Xenium Licence Agreement, Sang Da Electronics agreed to procure the licensing of the “Xenium” mark to Sang Fei for the exclusive use by Sang Fei in its design, manufacture, promotion, sales and marketing of mobile handsets. In addition, Sang Da Electronics agreed to provide, and procure the provision of, sales channels services to Sang Fei. Subject to the approval by the Independent Shareholders at the SGM, the Xenium Licence Agreement shall be for a term of three years commencing from the date of the SGM. It is expected that the SGM will be held in around mid September 2007.

The royalty for the licensing of the “Xenium” mark shall be calculated based on a fixed rate for every unit of mobile handset bearing the “Xenium” mark sold. The maximum royalty payable shall be RMB13.5 million for the period commencing from the effective date of the Xenium Licence Agreement until 31 December 2007, RMB16 million for 2008, RMB17.5 million for 2009 and RMB4.2 million for the period commencing from 1 January 2010 until the expiry of the Xenium Licence Agreement. Such amounts have been set as the proposed annual caps for the transactions contemplated under the Xenium Licence Agreement. As a complementary service to the licensing of the “Xenium” mark, the sales channels service will be provided by the Sang Da Group to Sang Fei free of charge.

The consideration was determined and agreed between the parties after arm's length negotiations with reference to market rates. In determining the proposed annual caps for the Xenium Licence Agreement, the Company has taken in account the historical sales volume of “Xenium” mobile handsets, the anticipated sales volume of “Xenium” mobile handsets during the term of the Xenium Licence Agreement. As the global consumer communications products market is expected to maintain its growth momentum in the coming years, it is expected that the sales volume of “Xenium” mobile handsets will grow steadily during the term of the Xenium Licence Agreement.

COMPREHENSIVE SERVICES AGREEMENTS

On 8 August 2007, Sang Fei also entered into the Singapore Services Agreement with P-Marshall Singapore and the HK Services Agreement with P-Marshall HK, pursuant to which P-Marshall Singapore and P-Marshall HK agreed to provide various business support services to Sang Fei. Such business support services include information technology services, human resources services, office space leasing services and such other business support services as Sang Fei may from time to time require. The Comprehensive Services Agreements do not impose any obligations on the part of Sang Fei to use any business support services to be provided by P-Marshall Singapore and P-Marshall HK.

Subject to the approval by the Independent Shareholders at the SGM, the Comprehensive Services Agreements shall be for a term of three years commencing from the date of the SGM.

The charges of the business support services to be provided by P-Marshall Singapore and P-Marshall HK under the Comprehensive Services Agreements shall be the actual costs incurred by P-Marshall Singapore and P-Marshall HK for the provision of such services.

It is expected that total consideration payable by Sang Fei under the Comprehensive Services Agreements during the term of the Comprehensive Services Agreements will not exceed the respective amounts set out in the following table. Accordingly, those amounts have been set as the proposed annual caps for the total consideration payable by Sang Fei under the Comprehensive Services Agreements:

Period	Amount (RMB'000)
From the commencement date of the Comprehensive Services Agreements to 31 December 2007	42,120
For the year ending 31 December 2008	56,160
For the year ending 31 December 2009	56,160
From 1 January 2010 to the expiry of the Comprehensive Services Agreements	14,040

In arriving at the proposed annual caps for the Comprehensive Services Agreements, the Company has taken into account the anticipated scope of business support services that Sang Fei is going to obtain from P-Marshall Singapore and P-Marshall HK. Since P-Marshall Singapore and P-Marshall HK will charge Sang Fei the actual costs incurred by them in providing the services, the Company has also taken in account the historical and anticipated costs of such services.

REASONS FOR ENTERING INTO THE XENIUM LICENCE AGREEMENT AND THE COMPREHENSIVE SERVICES AGREEMENTS

Sang Fei is the principal operating subsidiary of the Company which is primarily engaged in the manufacturing and sales of mobile handsets and other portable electronic products for the Philips Group. On 12 February 2007, CEC, the ultimate controlling shareholder of the Company, announced that it had entered into an acquisition agreement with Royal Philips Electronics, pursuant to which CEC agreed to acquire the mobile handsets business of the Philips Group. As part of the acquisition, Sang Da Group acquired ownership of the "Xenium" mark. With the licence to use the "Xenium" mark, Sang Fei will be able to manufacture and sell mobile handsets under the "Xenium" brand after CEC's acquisition of the mobile handsets business of the Philips Group. In addition, as Sang Da Group has extensive sales channels within and outside the PRC for the distribution of communications and electronic products and has substantial experience in promoting and marketing communications and electronic products globally, the provision of sales channels services by the Sang Da Group can facilitate Sang Fei in establishing its global business network effectively and efficiently.

Exploring business opportunities in and expanding into overseas markets have always been Sang Fei's business objectives and development strategies. Whilst the provision of sales channels services by the Sang Da Group can facilitate Sang Fei in establishing its global business network effectively and efficiently, the provision of business support services by P-Marshall HK and P-Marshall Singapore under the Comprehensive Services Agreements will enable Sang Fei to build up its international presence and global business network in a more effective and efficient manner. By engaging the business support services to be provided by P-Marshall HK and P-Marshall Singapore, Sang Fei is able to leverage on the market experience and the economies of scale of P-Marshall HK and P-Marshall Singapore so that it can obtain the business supporting services at competitive rates.

The Directors considered that the Xenium Licence Agreement and the Comprehensive Services Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors also considered that their terms are fair and reasonable and that the entering into of the Xenium Licence Agreement and the Comprehensive Services Agreements is in the interests of the Company and the Shareholders as a whole.

REVISION OF ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED TRANSACTIONS UNDER THE BUSINESS SERVICES AGREEMENT

Background

On 17 June 2004, Sang Fei entered into the Business Services Agreement with CEC to set out the framework for the ongoing business relationship between the CEC Group on the one hand and Sang Fei on the other.

The Business Services Agreement was supplemented by a supplemental business services agreement dated 21 December 2006 entered into between the same parties, pursuant to which,

the term of the Business Services Agreement was extended to 31 December 2009. Reference is made to the circular of the Company dated 8 January 2007, which set out details of the Business Services Agreement.

Pursuant to the Business Services Agreement, Sang Fei supplies products (including mobile handsets), raw materials and samples to the CEC Group and the CEC Group supplies raw materials and provides various support services, including after sales and maintenance services and renovation services, to Sang Fei.

The Business Services Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 14 July 2004 and the renewal of the Business Services Agreement to extend until 31 December 2009, together with the applicable annual caps for the transactions contemplated thereunder, were approved by the independent shareholders of the Company at the special general meeting of the Company held on 26 January 2007.

Description of transactions

Details of the continuing connected transactions contemplated under the Business Services Agreement, the annual caps of which are proposed to be revised, are as follows:

(i) Sales of products, samples and raw materials to the CEC Group

Pursuant to the Business Services Agreement, Sang Fei manufactures and supplies mobile handsets and semi-finished products to the CEC Group. One of the existing distributors of Sang Fei's mobile handsets is a member of the CEC Group. The CEC Group also purchases semi-finished products and sample mobile handsets for their in-house design testing purpose and as replacement mobile handsets to be provided to their customers. The CEC Group also sources the required raw materials and electronic parts from Sang Fei for the purpose of providing after sales and maintenance services to Sang Fei.

The products, samples and raw materials supplied to the CEC Group are priced in accordance with their models and specifications. The prices are determined after arm's length negotiations between the parties with reference to market rates. The prices offered to the CEC Group are no less favourable than those offered to other third party customers of Sang Fei.

(ii) Purchase of raw materials from the CEC Group

Pursuant to the Business Services Agreement, Sang Fei purchases from members of the CEC Group raw materials, including but not limited to mobile handsets batteries, integrated chips and electronic parts, which are used to manufacture mobile handsets on a non-committed basis. The Business Services Agreement does not impose any obligation on the part of Sang Fei to purchase raw materials exclusively from the CEC Group. Sang Fei may source raw materials from any other parties.

The price of raw materials to be supplied by the CEC Group to Sang Fei is determined after arm's length negotiations between the parties with reference to market rates. The prices offered to Sang Fei are no less favourable than those offered by other third party suppliers to Sang Fei.

(iii) After sales and maintenance services

The typical warranty period of Sang Fei's mobile handsets is twelve months. Pursuant to the Business Services Agreement, Sang Fei may engage members of the CEC Group to provide after sales and maintenance services in order to discharge its product warranty obligations.

The CEC Group charges the maintenance services fees at a pre-agreed per unit price. Such pre-agreed price is determined after arm's length negotiations between the parties with reference to market rates. The prices offered to Sang Fei are no less favourable than those offered by other third party service providers to Sang Fei.

(iv) Renovation services

In order to cope with the growing business needs, Sang Fei needs to expand and improve its production facilities and as such, additional factory premises may be required and existing factory premises may have to be renovated in order to provide an efficient production environment. Pursuant to the Business Services Agreement, Sang Fei engages members of the CEC Group to provide renovation services for its factory premises. The CEC Group charges renovation service fees with reference to market rates. The prices offered to Sang Fei are no less favourable than those offered by other third party service providers to Sang Fei.

Historical figures and existing annual caps of continuing connected transactions

In respect of the abovementioned continuing connected transactions contemplated under the Business Services Agreement, the historical figures for each of the three financial years ended 31 December 2004, 2005 and 2006 and the existing annual caps for the years 2007, 2008 and 2009 are set out below:

Type of transaction	Existing annual caps for			Historical figures for		
	2009	2008	2007 (Note 1)	2006	2005 (Note 2)	2004
(RMB'000)						
Sale of products, samples and raw materials						
- Annual charges receivable or received by the Group	13,820	11,520	9,600	4,561	4,900	44,919
Purchase of raw materials						
- Annual charges payable or paid by the Group	29,380	24,480	20,400	4,628	8,483	8,213
After sales and maintenance services						
- Annual service charges payable or paid by the Group	5,180	4,320	3,600	2,855	1,522	1,199
Renovation services						
- Annual service charges payable or paid by the Group	10,000	10,000	10,000	1,875	2,508	5,166

Notes:

1. The existing annual caps for the transactions contemplated under the Business Services Agreement were revised and determined based on the factors disclosed in the Company's circular dated 8 January 2007.
2. Sang Fei has been supplying mobile handsets, raw materials and samples to the CEC Group under the Business Services Agreement. Before 2005, the CEC Group is the principal distributor of Sang Fei manufactured mobile handsets. In 2005, Sang Fei set up its own distribution channels and started distributing products through its own distribution channels. As a result of this new business arrangement, the historical figures for this continuing connected transaction dropped substantially from 2004 to 2005.

Proposed Revised Annual Caps

Following CEC's acquisition of the mobile handsets business of the Philips Group and with the licence to use the "Xenium" mark, the business model of Sang Fei and the cooperation model between Sang Fei and the CEC Group will be adjusted in order to better capitalise the new business opportunities. It is expected that as a result of such adjustments, the amount of consideration receivable by Sang Fei from the CEC Group for the sales of products, raw materials and samples, the amount of consideration payable by Sang Fei to the CEC Group for the purchase of raw materials and the amount of consideration payable by Sang Fei to the CEC Group for the after sales and maintenance services and the renovation services for the three financial years ending 31 December 2007, 2008 and 2009 will increase to amounts not exceeding those as set out in the following table. Accordingly, those amounts have been set as the proposed revised annual caps for the relevant continuing connected transactions.

Type of transaction	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)
Sales of products, raw materials and samples			
- Annual charges receivable by the Group	2,520,000	3,500,000	3,900,000
Purchase of raw materials			
- Annual charges payable by the Group	820,000	1,160,000	1,300,000
After sales and maintenance services			
- Annual charges payable by the Group	60,000	80,000	90,000
Renovation services			
- Annual charges payable by the Group	15,000	10,000	10,000

Reasons for the revision of annual caps

Sale of products, raw materials and samples

In arriving at the above annual caps for the sales of products, raw materials and samples, the Company has made reference to the historical sales volume of products, raw materials and samples to the CEC Group, the historical sales volume of mobile handsets, raw materials and samples to the Philips Group and the anticipated sales volume of products, raw materials and samples to the CEC Group after completion of CEC's acquisition of the mobile handsets business of the Philips Group.

Before CEC's acquisition of the mobile handsets business of the Philips Group, Sang Fei would sell "Philips" mobile handsets to members of the Philips Group, which would then resell such "Philips" mobile handsets to their distributors in all over the world. CEC Group was previously one of the major distributors of "Philips" mobile handsets. Following CEC's acquisition of the mobile handsets business of the Philips Group, CEC Group will continue to be one of the major distributors of "Philips" mobile handsets. As such, a substantial portion of "Philips" mobile handsets which would, before the acquisition, be sold to the Philips Group for resale, will now be sold to the CEC Group directly. As a result, it is expected that the sales volume of Sang Fei to the CEC Group will increase substantially in 2007. As the global consumer communications products markets is expected to maintain its growth momentum in the coming years, it is expected that the sales volume to the CEC Group will continue to show an upward trend.

In determining the expected increase in sales of products, raw materials and samples to the CEC Group, the Company has taken into account the expected sales volume of mobile handsets (including Sang Fei's own brand and "Philips" mobile handsets) and the estimated proportion of products to be distributed by the CEC Group. The Company has also taken into account the historical sales volume of "Philips" mobile handsets to the Philips Group in 2006. For the year ended 31 December 2006, the total consideration received by Sang Fei from the Philips Group for the sales of mobile handsets, raw materials and samples was RMB2,981 million. Following CEC's acquisition of the mobile handsets business of the Philips Group, CEC Group will take up a substantial portion of the sales which, if the acquisition did not take place, would be made to the Philips Group.

After sales and maintenance services

Before the disposal of its mobile handsets business, the Philips Group engaged the CEC Group to provide after sales and maintenance services to its customers.

Following the disposal by the Philips Group of its mobile handsets business, Sang Fei, as the manufacturer of "Philips" mobile handsets, will provide warranty services to its customers directly. In order to discharge its product warranty obligations, Sang Fei will engage the CEC Group to provide after sales and maintenance services which CEC Group had previously provided to the Philips Group. As a result, it is expected that the total consideration payable by Sang Fei to the CEC Group for the provision of after sales and maintenance services will increase accordingly.

The demand for after sales and maintenance services depends on the sales of Sang Fei manufactured mobile handsets. As the global communications products market is expected to maintain its growth momentum in the coming years, it is expected that the volume of mobile

handsets to be supplied by Sang Fei will grow steadily. Therefore, the demand for after sales and maintenance services by the Group is also expected to grow.

In determining the proposed annual caps for the three years ending 31 December 2007, 2008 and 2009, the Company has taken into account the expected sales volume of “*Philips*” mobile handsets over the period and the historical repair rate of “*Philips*” mobile handsets.

Purchase of raw materials

Before CEC’s acquisition of the mobile handsets business of the Philips Group, the CEC Group was one of the raw material suppliers of the Philips Group, and the Philips Group was one of the raw materials suppliers of Sang Fei. Sang Fei purchased from the Philips Group and its approved suppliers the raw materials used for the manufacture and the maintenance of mobile handsets. For the year ended 31 December 2006, the total consideration paid by Sang Fei to the Philips Group for the purchase of raw materials was RMB226 million.

Following CEC’s acquisition of the mobile handsets business of the Philips Group, instead of sourcing its required raw materials from the Philips Group and its approved suppliers, Sang Fei will source the required raw materials directly from the CEC Group. This new business arrangement will increase Sang Fei’s total purchase volume from the CEC Group.

CEC is a nationwide electronics and information technology conglomerate focusing on communications/consumer electronics, semiconductor and software sectors in the PRC. In order to leverage on the advantage of economies of scale enjoyed by the CEC Group to the fullest extent, Sang Fei intends to further increase its purchase volume of raw materials from the CEC Group. For the year ended 31 December 2006, the Group’s total expenses on raw materials and consumables used was approximately RMB3,158 million and the Group’s total purchase volume of raw materials from the CEC Group was approximately RMB4.63 million. It is expected that the proportion of raw materials to be sourced from the CEC Group will increase over the term of the Business Services Agreement as a result of the reasons set out above.

In arriving at the above revised annual caps for the three years ending 31 December 2007, 2008 and 2009 in respect of the total consideration payable by the Group to the CEC Group for the purchase of raw materials, the Company has taken into account the historical transaction volume, the additional raw materials that Sang Fei would source from the CEC Group as a result of the new business arrangement, the growth in the sales volume of Sang Fei’s products and the expected increase in the costs of raw materials.

Renovation services

In view of the expected growth in Sang Fei’s business, Sang Fei plans to further expand and improve its production facilities during 2007 in order to provide an efficient production environment which meets the substantial production needs. It is expected that the amount payable by the Group to the CEC Group for the renovation services provided by members of the CEC Group will not exceed RMB15 million for the financial year ending 31 December 2007. Accordingly, this amount has been set as the proposed revised annual cap for this continuing connected transaction for 2007. The existing annual caps for this continuing connected transaction for each of the two financial years ending 31 December 2008 and 2009 of RMB10 million will remain unchanged.

In determining the proposed revised annual cap for 2007 for this continuing connected transaction, the Company has taken into account the historical costs of renovation services, the planned expansion of production and office premises and the planned renovation of the existing production premises.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE BUSINESS SERVICES AGREEMENT

Sang Fei is primarily engaged in the manufacturing and sales of mobile handsets and other portable electronics products in the PRC. The CEC Group is one of the distributors of Sang Fei manufactured mobile handsets. Besides, the CEC Group has been supplying raw materials and providing other support services to Sang Fei under the Business Services Agreement. The transactions contemplated under the Business Services Agreement are therefore vital and integral to the business operations of Sang Fei.

The Board considers that the revision of the annual caps of the various continuing connected transactions contemplated under the Business Services Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Such transactions have been

entered into, and will continue to be carried out, on normal commercial terms and in the ordinary and usual course of business of the Group.

LISTING RULES IMPLICATIONS

Sang Da Electronics is a subsidiary of CEC. Each of P-Marshall HK and P-Marshall Singapore is a wholly-owned subsidiary of Sang Da Electronics. CEC is the Company's ultimate controlling Shareholder, holding 74.98% interest in the Company and therefore all of Sang Da Electronics, P-Marshall HK, P-Marshall Singapore and CEC are connected persons of the Company. Accordingly, the transactions contemplated under the Xenium Licence Agreement, the Comprehensive Services Agreements and the Business Services Agreement are continuing connected transactions of the Company.

As the expected aggregate consideration payable by the Group under the Xenium Licence Agreement and the Comprehensive Services Agreements on an annual basis and the proposed revised annual caps for the various continuing connected transactions under the Business Services Agreement on an annual basis will exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Xenium Licence Agreement and the Comprehensive Services Agreements and the related proposed annual caps as well as the revision of the annual caps for the various continuing connected transactions under the Business Services Agreement are subject to the approval of the Independent Shareholders.

SGM

The SGM will be convened for the purpose of approving the Xenium Licence Agreement, the Comprehensive Services Agreements and the related annual caps as well as the revision of the annual caps for certain continuing connected transactions contemplated under the Business Services Agreement. In accordance with the Listing Rules, CEC and its associates will abstain from voting on the relevant ordinary resolutions at the SGM. The vote of the Independent Shareholders on such resolutions will be taken by poll. A circular containing details relating to the Xenium Licence Agreement, the Comprehensive Services Agreements and the various continuing connected transactions contemplated under the Business Services Agreement, a letter from the Independent Board Committee, a letter from Altus and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

GENERAL INFORMATION

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

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.

Sang Da Electronics is a subsidiary of CEC and is principally engaged in the sales and distribution of a wide range of electronic products covering mobile communications equipment, terminal network equipment, computer application equipment, software, electronic components and household appliances.

P-Marshall HK and P-Marshall Singapore are the principal operating subsidiaries of Sang Da Electronics and are engaged in the sales and distribution of electronic products in Hong Kong and overseas countries.

DEFINITIONS

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

“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 Xenium Licence Agreement, the Comprehensive Services Agreements and the revision of the annual caps for certain continuing connected transactions contemplated under the Business Services Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Services Agreement”	the Business Services Agreement dated 17 June 2004 and entered into between CEC and Sang Fei as supplemented by the Supplemental Business Services Agreement dated 21 December 2006 and entered into between the same parties
“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 Group”	CEC and its subsidiaries (other than the Group)
“Company”	China Electronics Corporation Holdings Company Limited
“Comprehensive Services Agreements”	together, the HK Services Agreement and the Singapore Services Agreement
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK Services Agreement”	the Comprehensive Services Agreement dated 8 August 2007 and entered into between Sang Fei and P-Marshall HK
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board, consisting of Messrs. Chan Kay Cheung, Wong Po Yan and Yin Yongli, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Xenium Licence Agreement, the Comprehensive Services Agreements and the revision of the annual caps for certain continuing connected transactions contemplated under the Business Services Agreement
“Independent Shareholders”	Shareholders other than CEC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Philips Group”	Koninklijke Philips Electronics N.V., a company listed on the New York Stock Exchange and the Amsterdam Stock Exchange, together with its affiliated companies and subsidiaries
“P-Marshall HK”	P-Marshall Hong Kong Limited, a wholly-owned subsidiary of Sang Da Electronics
“P-Marshall Singapore”	P-Marshall Singapore Pte Limited, a wholly-owned subsidiary of Sang Da Electronics
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Sang Da Electronics”	深圳桑達電子集團有限公司 (Shenzhen SED Electronics Group Co., Ltd.), a subsidiary of CEC
“Sang Da Group”	Sang Da Electronics and its subsidiaries
“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 to be convened to consider and, if thought fit, to approve the Xenium Licence Agreement, the Comprehensive Services Agreements and the related annual caps as well as the revision of the annual caps for certain continuing connected transactions contemplated under the Business Services Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Singapore Services Agreement”	the Comprehensive Services Agreement dated 8 August 2007 and entered into between Sang Fei and P-Marshall Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xenium Licence Agreement”	the Xenium Licence Agreement dated 8 August 2007 and entered into between Sang Fei and Sang Da Electronics in relation to the licence of the “Xenium” mark

By Order of the Board
China Electronics Corporation Holdings Company Limited
Chen Zhaoxiong
Chairman

Hong Kong, 8 August 2007

** For identification purpose only*

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