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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)

**MAJOR AND
CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

THE ACQUISITION

Reference is made to the announcement of the Company dated 25 April 2008.

The Board announces that on 20 June 2008 after trading hours, the Company has entered into the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement in respect of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, respectively.

Pursuant to the China Hua Da Agreement, the Company has conditionally agreed to purchase and China Hua Da has conditionally agreed to sell a 64.75% equity interest in Hua Da Electronics at a consideration of HK\$984.20 million. Pursuant to the Beijing Shoufa Xinan Agreement, the Company has conditionally agreed to purchase and Beijing Shoufa Xinan has conditionally agreed to sell a 7.50% equity interest in Hua Da Electronics at a consideration of HK\$114 million. Pursuant to the Other Vendors Agreement, the Company has conditionally agreed to purchase and the Other Vendors have conditionally agreed to sell an aggregate equity interest of 27.75% in Hua Da Electronics at an aggregate consideration of HK\$421.80 million. Completions of each of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement are not conditional upon each other.

The aggregate consideration payable by the Company under the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement is HK\$1,520 million, which shall be satisfied by the Company allotting and issuing an aggregate of 608,000,000 Consideration Shares, credited as fully paid, at an issue price of HK\$2.50 per Consideration Share, among which, 393,680,000 Consideration Shares will be allotted and issued to China Hua Da, 45,600,000 Consideration Shares will be allotted and issued to Beijing Shoufa Xinan and an aggregate of 168,720,000 Consideration Shares will be allotted and issued to the Other Vendors. The Consideration Shares will be allotted and issued on the completion date of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement.

The 393,680,000 Consideration Shares to be issued as consideration under the China Hua Da Agreement, the 45,600,000 Consideration Shares to be issued as consideration under the Beijing Shoufa Xinan Agreement and the 168,720,000 Consideration Shares to be issued as consideration under the Other Vendors Agreement represent (i) approximately 36.33%, 4.21% and 15.57% of the existing issued share capital of the Company, respectively; and (ii) approximately 23.27%, 2.70% and 9.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, respectively.

The issue price of HK\$2.50 per Consideration Shares represents (i) a premium of approximately 28.87% over the closing price of HK\$1.94 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 25.38% over the average closing price of approximately HK\$1.994 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 25.06% over the average closing price of approximately HK\$1.999 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 5.74 times over the underlying net asset value per Share attributable to equity holders of the Company of approximately HK\$0.435 per Share as at 31 December 2007 (based on the audited consolidated balance sheet of the Group as at 31 December 2007).

Hua Da Electronics is a leading company in the design of integrated circuits established under the laws of the PRC. It is principally engaged in the design and sale of integrated circuits and the research and development of electronic design automation tools. After Completion, Hua Da Electronics will be converted into a wholly foreign-owned enterprise and will become a wholly-owned subsidiary of the Company and the financial statements of Hua Da Electronics will be consolidated into those of the Group.

China Hua Da is a subsidiary of CEC, the ultimate controlling shareholder of the Company holding approximately 74.98% of the issued Shares as at the date of this announcement. Accordingly, China Hua Da is a connected person of the Company and the China Hua Da Acquisition constitutes a connected transaction of the Company.

The China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, when aggregated, constitute a major transaction of the Company and are subject to the shareholders' approval requirements under the Listing Rules.

Since the China Hua Da Acquisition also constitutes a connected transaction of the Company and that CEC is considered to have a material interest in the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, CEC and its associates are required to abstain from voting on the ordinary resolutions approving the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition. Each of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition is conditional upon, among other things, the approval by the Independent Shareholders at the SGM.

CONTINUING CONNECTED TRANSACTIONS

After completion of the China Hua Da Acquisition, the transactions contemplated under the Hua Da Business Services Agreement, the Hua Da Deposit Services Agreement and the Hua Da Tenancy Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

Apart from the Hua Da Business Services Agreement, Sang Fei, the principal operating subsidiary of the Company, has also entered into the Business Services Agreement with CEC to set out the framework for the ongoing business relationship between the CEC Group and Sang Fei. Apart from the Hua Da Deposit Services Agreement, Sang Fei has also entered into the Deposit Services Agreement with CEC Finance, pursuant to which Sang Fei will utilise the deposit services offered by CEC Finance. Apart from the transactions contemplated under the Hua Da Tenancy Agreement, the Group has also been leasing and licensing certain properties from members of the CEC Group through the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements.

Under the Listing Rules, the transactions under the Hua Da Business Services Agreement and the Business Services Agreement, the transactions under the Hua Da Deposit Services Agreement and the Deposit Services Agreement, the transactions under the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements, will in each case be aggregated and treated as if they were one transaction.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Business Services Agreement and the Business Services Agreement, as aggregated, are more than 2.5%, the Hua Da Business Services Agreement is, pursuant to Rule 14A.35 of the Listing Rules, subject to the reporting, announcement and independent shareholders' approval requirements.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Deposit Services Agreement and the Deposit Services Agreement, as aggregated, are less than 2.5%, the Hua Da Deposit Services Agreement is, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements, as aggregated, are less than 2.5%, the Hua Da Tenancy Agreement is, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements.

SGM

The SGM will be convened to consider and, if thought fit, to approve the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition, the Other Vendors Acquisition and the Non-exempt Continuing Connected Transactions. 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 Acquisition and the Continuing Connected Transactions, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Non-exempt Continuing Connected Transactions, the recommendation from the Independent Board Committee and the financial information in respect of Hua Da Electronics together with the notice of the SGM will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION

Reference is made to the announcement of the Company dated 25 April 2008.

The Board announces that on 20 June 2008 after trading hours, the Company has entered into the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement in respect of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, respectively.

(1) China Hua Da Agreement

Date:	20 June 2008
Vendor:	China Hua Da
Purchaser:	the Company
Subject assets:	64.75% of the equity interest of Hua Da Electronics
Consideration:	The consideration for the sale and purchase of 64.75% of the equity interest of Hua Da Electronics owned by China Hua Da shall be HK\$984.20 million, which shall be satisfied by the Company allotting and issuing 393,680,000 Consideration Shares to China Hua Da, credited as fully paid, at an issue price of HK\$2.50 per Consideration Share.

China Hua Da is a state-owned enterprise established under the laws of the PRC and is a subsidiary of CEC. 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.. China Hua Da is principally engaged in the design and manufacturing of integrated circuits chips as well as research and development of integrated circuits designing tools and integrated circuits application systems.

CEC, a state-owned enterprise established under the laws of the PRC, is the ultimate controlling shareholder of the Company holding approximately 74.98% of the issued Shares as at the date of this announcement. 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, semiconductor and software sectors in the PRC. As China Hua Da is a subsidiary of CEC, China Hua Da is therefore a connected person of the Company.

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. SDIC High-Tech Investment Co., Ltd. engages in investments in high technology projects. SDIC High-Tech Investment Co., Ltd. and The State Development and Investment Corporation are third parties independent of the Company and connected persons of the Company.

As at the date of this announcement, China Hua Da does not own any Shares. China Hua Da will cease to hold any equity interest in Hua Da Electronics after completion of the China Hua Da Acquisition.

(2) Beijing Shoufa Xinan Agreement

Date:	20 June 2008
Vendor:	Beijing Shoufa Xinan
Purchaser:	the Company
Subject assets:	7.50% of the equity interest of Hua Da Electronics
Consideration:	The consideration for the sale and purchase of 7.50% of the equity interest of Hua Da Electronics owned by Beijing Shoufa Xinan shall be HK\$114 million, which shall be satisfied by the Company allotting and issuing 45,600,000 Consideration Shares to Beijing Shoufa Xinan, credited as fully paid, at an issue price of HK\$2.50 per Consideration Share.

Beijing Shoufa Xinan is a company established under the laws of the PRC. It is principally engaged in the research and development, manufacturing and sales of information security products and the provision of safety solution services for information system. Beijing Shoufa Xinan and its ultimate beneficial shareholders are third parties independent of the Company and connected persons of the Company.

As at the date of this announcement, Beijing Shoufa Xinan does not own any Shares. Beijing Shoufa Xinan will cease to hold any equity interest in Hua Da Electronics after completion of the Beijing Shoufa Xinan Acquisition.

(3) The Other Vendors Agreement

Date: 20 June 2008

Vendors:

- (1) WANG Qinsheng, who has agreed to sell 9.1668% of the equity interests of Hua Da Electronics for a consideration of HK\$139,334,600
- (2) LIU Weiping, who has agreed to sell 5.4251% of the equity interests of Hua Da Electronics for a consideration of HK\$82,461,900
- (3) DONG Haoran, who has agreed to sell 5.2078% of the equity interests of Hua Da Electronics for a consideration of HK\$79,157,800
- (4) HUANG Guoyong, who has agreed to sell 2.1506% of the equity interests of Hua Da Electronics for a consideration of HK\$32,689,500
- (5) SUN Xiaonian, who has agreed to sell 1.2395% of the equity interests of Hua Da Electronics for a consideration of HK\$18,840,400
- (6) CHENG Jinge, who has agreed to sell 1.2811% of the equity interests of Hua Da Electronics for a consideration of HK\$19,473,100
- (7) XIAO Gang, who has agreed to sell 1.8454% of the equity interests of Hua Da Electronics for a consideration of HK\$28,049,700
- (8) JIANG Shiping, who has agreed to sell 1.4337% of the equity interests of Hua Da Electronics for a consideration of HK\$21,793,000

Purchaser: the Company

Subject assets: an aggregate of 27.75% of the equity interest of Hua Da Electronics

Consideration: The aggregate consideration for the sale and purchase of the aggregate of 27.75% of the equity interest of Hua Da Electronics under the Other Vendors Agreement shall be HK\$421.80 million, which shall be satisfied by the Company allotting and issuing an aggregate of 168,720,000 Consideration Shares to the Other Vendors, credited as fully paid, at an issue price of HK\$2.50 per Consideration Share, of which:

- (i) 55,733,840 Consideration Shares will be allotted and issued to Ms. Wang Qinsheng;
- (ii) 32,984,760 Consideration Shares will be allotted and issued to Mr. Liu Weiping;

- (iii) 31,663,120 Consideration Shares will be allotted and issued to Mr. Dong Haoran;
- (iv) 13,075,800 Consideration Shares will be allotted and issued to Mr. Huang Guoyong;
- (v) 7,536,160 Consideration Shares will be allotted and issued to Mr. Sun Xiaonian;
- (vi) 7,789,240 Consideration Shares will be allotted and issued to Mr. Cheng Jingge;
- (vii) 11,219,880 Consideration Shares will be allotted and issued to Mr. Xiao Gang; and
- (viii) 8,717,200 Consideration Shares will be allotted and issued to Mr. Jiang Shiping.

Ms. Wang Qinsheng and Mr. Sun Xiaonian currently are directors of Hua Da Electronics and Mr. Liu Weiping is a director and president of Hua Da Electronics. Mr. Dong Haoran and Mr. Jiang Shiping are employees of Hua Da Electronics. The remaining Other Vendors, being Mr. Huang Guoyong, Mr. Cheng Jingge and Mr. Xiao Gang are third parties independent of the Company and connected persons of the Company.

As at the date of this announcement, none of the Other Vendors own any Shares. The Other Vendors will cease to hold any equity interest in Hua Da Electronics after completion of the Other Vendors Acquisition.

Consideration Shares to be issued pursuant to the Acquisition

The aggregate consideration payable by the Company under the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement is HK\$1,520 million, which shall be satisfied by the Company allotting and issuing an aggregate of 608,000,000 Consideration Shares to China Hua Da, Beijing Shoufa Xinan and the Other Vendors, credited as fully paid, at an issue price of HK\$2.50 per Consideration Share. The Consideration Shares will be allotted and issued on the completion date of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement.

The Consideration Shares to be issued under the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of such Consideration Shares. The Consideration Shares are not subject to any lock-up restrictions.

As at the date of this announcement, the Company has 1,083,560,000 Shares in issue. The 393,680,000 Consideration Shares to be issued as consideration under the China Hua Da Agreement, the 45,600,000 Consideration Shares to be issued as consideration under the Beijing Shoufa Xinan Agreement and the 168,720,000 Consideration Shares to be issued as consideration under the Other Vendors Agreement represent:

- (i) approximately 36.33%, 4.21% and 15.57% of the existing issued share capital of the Company, respectively; and

- (ii) approximately 23.27%, 2.70% and 9.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, respectively.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought at the SGM and will be allotted and issued to China Hua Da, Beijing Shoufa Xinan and the Other Vendors upon Completion. An application will be made by the Company to the Listing Committee for the the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK\$2.50 per Consideration Share represents:

- (a) a premium of approximately 28.87% over the closing price of HK\$1.94 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 25.38% over the average closing price of approximately HK\$1.994 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 25.06% over the average closing price of approximately HK\$1.999 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 5.74 times over the underlying net asset value per Share attributable to equity holders of the Company of approximately HK\$0.435 per Share as at 31 December 2007 (based on the audited consolidated balance sheet of the Group as at 31 December 2007).

Based on the closing price of HK\$1.94 per Share as quoted on the Stock Exchange on the Last Trading Day, the Consideration Shares were valued at HK\$1,179.52 million. The consideration for the Acquisition represents a price to earnings ratio of Hua Da Electronics of approximately 12 times. The consideration was determined and agreed between the parties after arm's length negotiations and was based on the said price to earnings ratio of Hua Da Electronics and other various factors, including the quality of the assets being acquired, their historical performance, the competitive advantages in their respective markets, as well as by reference to other financial and operational indicators and the industrial prospects of the integrated circuits industry in the PRC. The Issue price was determined and agreed between the parties after arm's length negotiations with reference to the market prices of the Shares. After taken into account the factors set out above and the reasons and benefits set out in the paragraph headed "Reasons for and benefits of the Acquisition" below, the Directors consider that the consideration and the Issuer Price are fair and reasonable when the interests of the Shareholders taken a whole are considered.

Conditions precedent

Completions of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition are conditional upon the fulfilment (or waiver, in certain cases as stated below) of the following conditions on or before 30 June 2009:

- (a) the Company having completed and satisfied with the results of the legal, financial and business due diligence exercise to be carried out by it on Hua Da Electronics;
- (b) Hua Da Electronics having notified and obtained consent from other signing parties to certain agreements (to which Hua Da Electronics is a party) as required by such agreements in the event of a change in the shareholders or shareholding structure of Hua Da Electronics;

- (c) in respect of the China Hua Da Acquisition:
- (i) the passing of an ordinary resolution by the Independent Shareholders at the SGM approving the China Hua Da Agreement and the transactions contemplated thereunder;
 - (ii) all necessary approvals from government and relevant regulatory authorities in respect of the China Hua Da Agreement and the China Hua Da Acquisition having been obtained and such approvals not having in any way altered the rights and obligations of any party to the China Hua Da Agreement and the China Hua Da Acquisition;
 - (iii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares to be issued under the China Hua Da Agreement;
 - (iv) the completion of the disposal by Hua Da Electronics of the Excluded Assets (other than CIDC);
 - (v) all representations and warranties being true and accurate in all respects and not misleading in any respect as of Completion; and
 - (vi) no notice having been received from the Stock Exchange and the Securities and Futures Commission to the effect that the listing of the Shares on the Stock Exchange will or is likely to be cancelled or suspended or that new onerous conditions will or are likely to be attached to such listing as a result of the China Hua Da Acquisition;
- (d) in respect of the Beijing Shoufa Xinan Acquisition:
- (i) the passing of an ordinary resolution by the Independent Shareholders at the SGM approving the Beijing Shoufa Xinan Agreement and the transactions contemplated thereunder;
 - (ii) all necessary approvals from government and relevant regulatory authorities in respect of the Beijing Shoufa Xinan Agreement and the Beijing Shoufa Xinan Acquisition having been obtained and such approvals not having in any way altered the rights and obligations of any party to the Beijing Shoufa Xinan Agreement and the Beijing Shoufa Xinan Acquisition;
 - (iii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares to be issued under the Beijing Shoufa Xinan Agreement;
 - (iv) the completion of the disposal by Hua Da Electronics of the Excluded Assets (other than CIDC);
 - (v) all representations and warranties being true and accurate in all respects and not misleading in any respect as of Completion; and
 - (vi) no notice having been received from the Stock Exchange and the Securities and Futures Commission to the effect that the listing of the Shares on the Stock Exchange will or is likely to be cancelled or suspended or that new onerous conditions will or are likely to be attached to such listing as a result of the Beijing Shoufa Xinan Acquisition; and

- (e) in respect of the Other Vendors Acquisition:
- (i) the passing of an ordinary resolution by the Independent Shareholders at the SGM approving the Other Vendors Agreement and the transactions contemplated thereunder;
 - (ii) all necessary approvals from government and relevant regulatory authorities in respect of the Other Vendors Agreement and the Other Vendors Acquisition having been obtained and such approvals not having in any way altered the rights and obligations of any party to the Other Vendors Agreement and the Other Vendors Acquisition;
 - (iii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares to be issued under the Other Vendors Agreement;
 - (iv) the completion of the disposal by Hua Da Electronics of the Excluded Assets (other than CIDC);
 - (v) all representations and warranties being true and accurate in all respects and not misleading in any respect as of Completion; and
 - (vi) no notice having been received from the Stock Exchange and the Securities and Futures Commission to the effect that the listing of the Shares on the Stock Exchange will or is likely to be cancelled or suspended or that new onerous conditions will or are likely to be attached to such listing as a result of the Other Vendors Acquisition.

Except for conditions (a), (b), (c)(v), (d)(v) and (e)(v) which may be waived by the Company at its sole discretion, none of the above conditions can be waived by any party to the agreements. The Company currently does not intend to waive any of such conditions. Completions of each of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition are not conditional upon each other.

If any of the above conditions have not been fulfilled or (in case of conditions (a), (b), (c)(v), (d)(v) and (e)(v)) waived by the Company on or before 30 June 2009, the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement or the Other Vendors Agreement (as the case may be) will lapse.

Completion of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition shall take place on the tenth Business Day after all of the above conditions have been fulfilled or (in the case of conditions (a), (b), (c)(v), (d)(v) and (e)(v)) waived by the Company, or on such other date as agreed between the parties to the China Hua Da Agreement, the Beijing Shoufa Xinan Acquisition or the Other Vendors Agreement (as the case may be). On the date of Completion, an aggregate of 608,000,000 Consideration Shares will be allotted and issued to China Hua Da, Beijing Shoufa Xinan and the Other Vendors, credited as fully paid, by the Company to satisfy the consideration payable under the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement.

After Completion, Hua Da Electronics will become a wholly-owned subsidiary of the Company and the financial statements of Hua Da Electronics will be consolidated into those of the Group. Hua Da Electronics will also be converted into a wholly foreign-owned enterprise upon completion of the Acquisition.

Information on Hua Da Electronics

Hua Da Electronics is a leading company in the design of integrated circuits established under the laws of the PRC. It is principally engaged in the design and sale of integrated circuits and the research and development of electronic design automation tools. The technologies and products of Hua Da Electronics have been widely applied in the areas of telecommunications, social security, electronic payments and consumer electronics.

The registered capital of Hua Da Electronics is RMB34,594,600 which is contributed as to 64.75% by China Hua Da, as to 7.50% by Beijing Shoufa Xinan and as to 27.75% by the Other Vendors (9.1668% by Ms. Wang Qinsheng, 5.4251% by Mr. Liu Weiping, 5.2078% by Mr. Dong Haoran, 2.1506% by Mr. Huang Guoyong, 1.2395% by Mr. Sun Xiaonian, 1.2811% by Mr. Cheng Jinge, 1.8454% by Mr. Xiao Gang and 1.4337% by Mr. Jiang Shiping).

As at the date of this announcement, each of China Hua Da, Beijing Shoufa Xinan and the Other Vendors has fully contributed towards the registered capital of Hua Da Electronics in accordance with their respective capital contribution ratios. Save for the above capital contribution, none of China Hua Da, Beijing Shoufa Xinan nor the Other Vendors has advanced any shareholder's loans to Hua Da Electronics.

Based on Hua Da Electronics' unaudited management accounts for each of the two years ended 31 December 2006 and 31 December 2007 prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the unaudited consolidated profit before income tax and profit for the year of Hua Da Electronics were as follows:

	Year ended 31 December 2006 (HK\$'000)	Year ended 31 December 2007 (HK\$'000)
Profit before income tax	128,716	132,063
Profit for the year	120,026	127,307

The unaudited consolidated net asset value of Hua Da Electronics as at 31 December 2007 based on the unaudited management accounts was approximately HK\$302,636,000.

The shareholders of Hua Da Electronics had approved the payment of final dividends for the year ended 31 December 2007 in an aggregate amount of RMB138,378,400, to the existing shareholders of Hua Da Electronics. Other than the said profit appropriations, there were not, and will not be, any other distributions before completion of the Acquisition. The remaining retained earnings will remain with Hua Da Electronics upon completion of the Acquisition. The Directors consider that the payment of final dividends by Hua Da Electronics will not have any material adverse effect on the working capital position of Hua Da Electronics.

Excluded assets

Hua Da Electronics has carried out a restructuring to carve out the Excluded Assets after the year ended 31 December 2007. Such Excluded Assets include a 71.26% equity interest in Beijing Hua Da Xinan, a 80% equity interest in Guangdong Hua Da and Hua Da Electronics' entire shareholding in CIDC. The purpose of the restructuring is to facilitate the future development of Hua Da Electronics' core businesses.

The Excluded Assets have an unaudited net asset value of an aggregate amount of HK\$3,003,922 as at 31 December 2007 and have incurred a net loss of an aggregate amount of HK\$1,746,010 for the year ended 31 December 2007, based on their respective unaudited management accounts.

Reasons for and benefits of the Acquisition

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

The acquisition of Hua Da Electronics provides the Group with a valuable opportunity to enter into the integrated circuits chips design market, which is a high-tech area with better profit margin, and enables the Group to offer products for a wider range of applications such as telecommunications, home network, consumer electronics in the future. Hua Da Electronics has a strong presence in the integrated circuits industry. Integrated circuits have been widely applied in a wide range of areas including communications, home and personal entertainment, social and public business. The Group intends to leverage off Hua Da Electronics' expertise in the integrated circuits industry to enhance its capability in the consumer electronics and communications products sector. Through the acquisition of Hua Da Electronics, the Group intends to transform itself from a manufacturer of mobile handsets and other portable electronic products to an active player in the industry possessing comprehensive capability in the upstream of the industry value chain.

The global information technology industry tends to focus on the advancement and development of their core technologies and businesses. The Group will seize this opportunity to continue the business development in its existing mobile handset operations and at the same time to explore new businesses at the upstream of the industry value chain. The Group's ultimate objective is to advance its core technology from low end to mid-to-high end stream and to promote its core business to the upstream of the industry value chain.

The Directors consider that the Acquisition offers the Group a valuable opportunity to expand its business into the integrated circuits sector and the upstream of the industry value chain. Based on the aforesaid, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the terms of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement are fair and reasonable and on normal commercial terms and that the entering into of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement is in the interest of the Company and the Shareholders as a whole.

Shareholding structure of the Company

To the best knowledge of the Directors, having made all reasonable enquires, (i) the existing shareholding structure of the Company, (ii) the shareholding structure of the Company upon the allotment and issue of the Consideration Shares and (iii) the shareholding structure of the Company upon the allotment and issue of the Consideration Shares and the exercise of the outstanding Options in full, are as follows:

Shareholders	As at the date of this announcement (Note 1)		Immediately after completion of the Acquisition (Note 1)		Immediately after completion of the Acquisition and exercise of the outstanding Options in full (Note 2)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
CEC	812,500,000	74.98	812,500,000	48.03	812,500,000	47.44
China Hua Da	–	–	393,680,000	23.27	393,680,000	22.99
Beijing Shoufa Xinan*	–	–	45,600,000	2.70	45,600,000	2.66
Other Vendors						
Ms. Wang Qinsheng* (Note 3)	–	–	55,733,840	3.30	55,733,840	3.25
Mr. Liu Weiping (Note 4)	–	–	32,984,760	1.95	32,984,760	1.93
Mr. Dong Haoran*	–	–	31,663,120	1.87	31,663,120	1.85
Mr. Huang Guoyong*	–	–	13,075,800	0.77	13,075,800	0.76
Mr. Sun Xiaonian* (Note 3)	–	–	7,536,160	0.45	7,536,160	0.44
Mr. Cheng Jinge*	–	–	7,789,240	0.46	7,789,240	0.46
Mr. Xiao Gang*	–	–	11,219,880	0.66	11,219,880	0.66
Mr. Jiang Shiping*	–	–	8,717,200	0.51	8,717,200	0.51
Holders of Options						
Mr. Tong Baoan	–	–	–	–	3,800,000	0.22
Mr. Fan Qingwu	–	–	–	–	3,600,000	0.21
Mr. Hua Longxing	–	–	–	–	3,600,000	0.21
Directors and chief executive of Sang Fei	–	–	–	–	1,600,000	0.09
Aggregate of employees and other participants*	–	–	–	–	8,350,000	0.49
Other Public Shareholders*	271,060,000	25.02	271,060,000	16.03	271,060,000	15.83
Total	<u>1,083,560,000</u>	<u>100.00</u>	<u>1,691,560,000</u>	<u>100.00</u>	<u>1,712,510,000</u>	<u>100.00</u>
Percentage of Public Float		25.02		26.75		26.91

Notes:

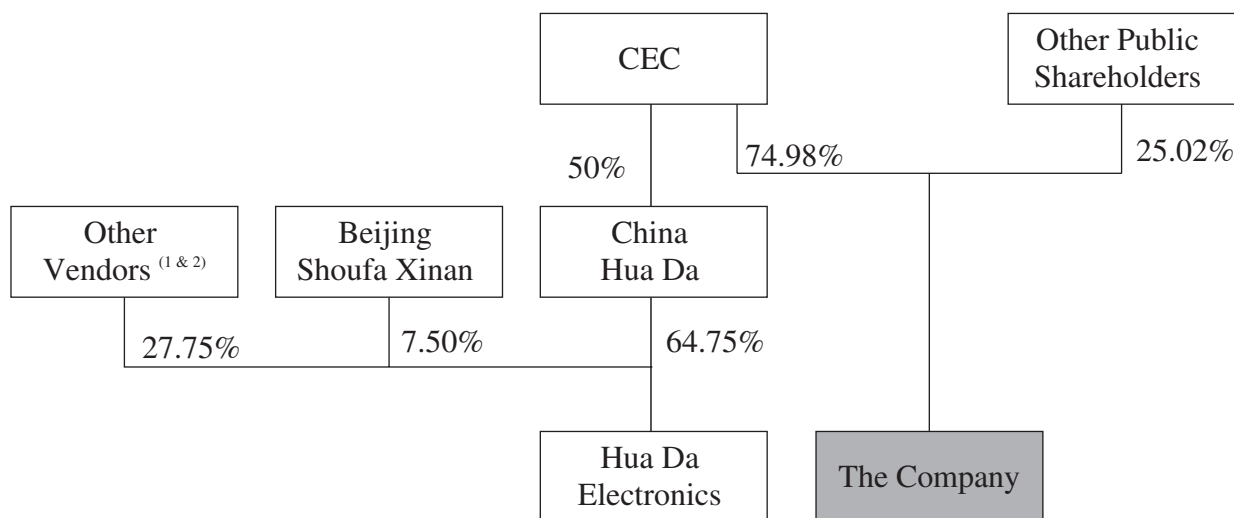
1. The percentages stated above assume that the outstanding Options as at the date of this announcement will not be exercised and that there will not be any changes to the total issued share capital of the Company as at the date of this announcement prior to the completion of the Acquisition.
2. The percentages stated above assume that other than the allotment and issue of Shares as a result of the exercise of the Options, there will not be any changes to the total issued share capital of the Company as at the date of this announcement prior to the completion of the Acquisition.
3. Ms. Wang Qinsheng and Mr. Sun Xiaonian currently are directors of Hua Da Electronics. In view of the Acquisition, Hua Da Electronics will dissolve its board of directors and Ms. Wang Qinsheng and Mr. Sun Xiaonian will resign from directorships of Hua Da Electronics before completion of the Acquisition. Accordingly, Ms. Wang Qinsheng and Mr. Sun Xiaonian will be regarded as public shareholders of the Company upon completion of the Acquisition.
4. Mr. Liu Weiping currently is a director and president of Hua Da Electronics. In view of the Acquisition, Hua Da Electronics will dissolve its board of directors and Mr. Liu Weiping will resign as director of Hua Da Electronics. Since Mr. Liu Weiping will continue to hold the position of president of Hua Da Electronics, he, being the chief executive of Hua Da Electronics, will be regarded as connected person of the Company and his shareholding in the Company will not be counted towards the public float of the Company.

* Public shareholders of the Company

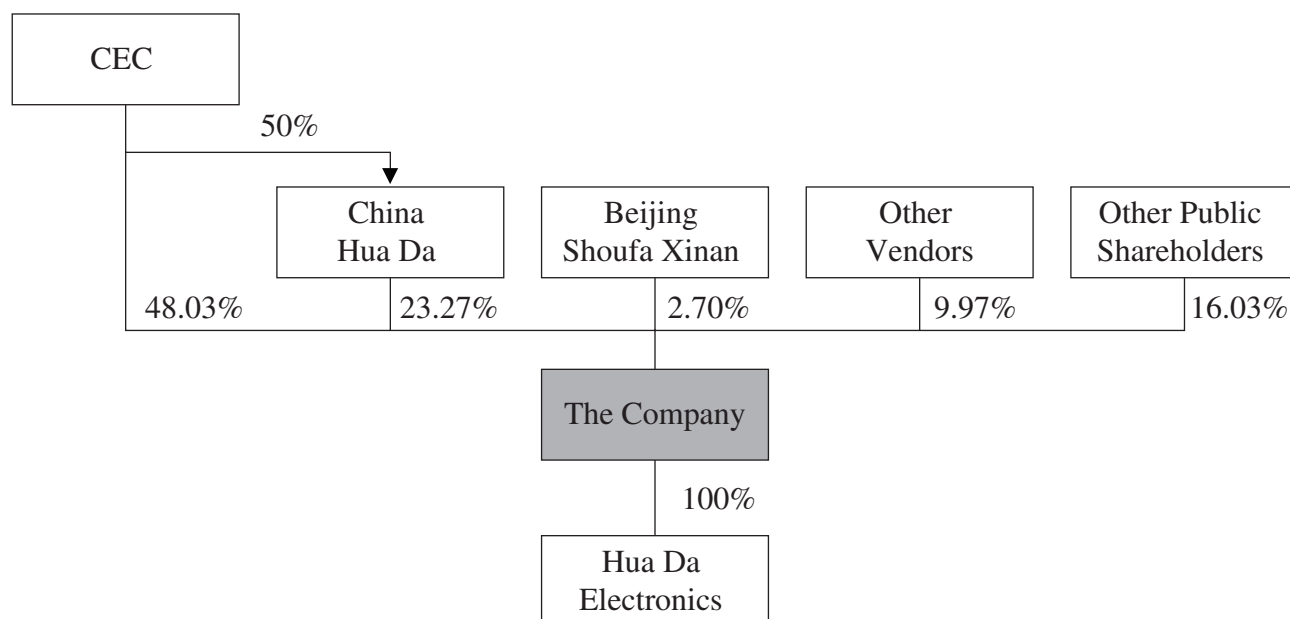
The Acquisition which involves the issue of Consideration Shares will not result in change of control (as defined in the Code of Takeovers and Mergers) of the Company.

Set out below are the shareholding structures of the Company immediately prior and following completion of the Acquisition:

Corporate structure immediately prior to completion of the Acquisition



Corporate structure immediately following completion of the Acquisition



Notes:

1. The Other Vendors represent the vendors under the Other Vendors Agreement.
2. As at the date of this announcement, the 27.75% equity interest of Hua Da Electronics is owned as to 9.1668% by Ms. Wang Qinsheng, as to 5.4251% by Mr. Liu Weiping, as to 5.2078% by Mr. Dong Haoran, as to 2.1506% by Mr. Huang Guoyong, as to 1.2395% by Mr. Sun Xiaonian, as to 1.2811% by Mr. Cheng Jinge, as to 1.8454% by Mr. Xiao Gang and as to 1.4337% by Mr. Jiang Shiping.
3. Immediately following completion of the Acquisition, 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 will be interested in approximately 3.30%, 1.95%, 1.87%, 0.77%, 0.45%, 0.46%, 0.66% and 0.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Listing Rules implications

China Hua Da is a subsidiary of CEC, the ultimate controlling shareholder of the Company holding approximately 74.98% of the issued Shares as at the date of this announcement. Accordingly, China Hua Da is a connected person of the Company and the China Hua Da Acquisition constitutes a connected transaction of the Company.

The China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, when aggregated, constitute a major transaction of the Company and are subject to the shareholders' approval requirements under the Listing Rules. There are no other prior transactions between the Company and the counterparties of the Acquisition which would require aggregation under the Listing Rules.

Since the China Hua Da Acquisition also constitutes a connected transaction of the Company and that CEC is considered to have a material interest in the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition, CEC and its associates are required to abstain from voting on the ordinary resolutions approving the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition. Each of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition is conditional upon, among other things, the approval by the Independent Shareholders at the SGM.

CONTINUING CONNECTED TRANSACTIONS

Hua Da Electronics has on-going transactions with members of the CEC Group in its ordinary and usual course of business. These transactions will, after completion of the China Hua Da Acquisition, become continuing connected transactions of the Company. Hua Da Electronics and CEC have entered into certain continuing connected transactions agreements to regulate the continuing connected transactions between Hua Da Electronics and the CEC Group.

(1) **Hua Da Business Services Agreement**

On 20 June 2008 after trading hours, Hua Da Electronics entered into the Hua Da Business Services Agreement with CEC to set out the framework for the on-going business relationship between Hua Da Electronics and members of the CEC Group.

The Hua Da Business Services Agreement covers (i) the provision of products processing, testing and assembling services by the CEC Group and the purchase of raw materials and modules from the CEC Group; (ii) the sales of integrated circuit cards and smart cards modules, chips and electronic design automation (EDA) tools to the CEC Group; and (iii) the provision of canteen services by the CEC Group to Hua Da Electronics. The Hua Da Business Services Agreement takes effect from the date of completion of the China Hua Da Acquisition and will be valid until 31 December 2010.

Hua Da Electronics has been focusing on the design of integrated circuits and the development of new technology and has been subcontracting the processing, testing and assembling procedures to members of CEC Group. The CEC Group also supplies raw materials and modules to Hua Da Electronics for its research and development uses. Members of the CEC Group are also customers of the products of Hua Da Electronics. The transactions contemplated under the Hua Da Business Services Agreement are, therefore, vital and integral to the business operations of Hua Da Electronics.

Details of the continuing connected transactions contemplated under the Hua Da Business Services Agreement are as follows:

(i) **Provision of processing, testing and assembling services by the CEC Group and purchase of raw materials and modules from the CEC Group**

Pursuant to the Hua Da Business Services Agreement, members of the CEC Group will provide processing, testing and assembling services to Hua Da Electronics for products including integrated circuit cards, smart cards and chips.

The service fees chargeable by members of the CEC Group for the processing, testing and assembling services are determined after arm's length negotiations between the parties with reference to market rates. The prices offered to Hua Da Electronics will be no less favourable than the prices of similar services offered by other third party service providers to Hua Da Electronics.

Hua Da Electronics will also, pursuant to the Hua Da Business Services Agreement, purchase from members of the CEC Group raw materials and modules for the research and development of integrated circuit cards, smart cards and chips, on a non-committed basis. Such raw materials and modules will include but not limited to wafer, integrated circuit modules, integrated circuit cards, integrated circuits and printed circuit boards. The Hua Da Business Services Agreement does not impose any obligation on the part of Hua Da Electronics to purchase raw materials and modules exclusively from the CEC Group. Hua Da Electronics may source raw materials and modules from any other parties.

The price of raw materials and modules to be supplied by the CEC Group to Hua Da Electronics is determined after arm's length negotiations between the parties with reference to market rates. The prices offered to Hua Da Electronics are no less favourable than the prices of similar products offered by other third party suppliers to Hua Da Electronics.

(ii) Sales of products to the CEC Group

Pursuant to the Hua Da Business Services Agreement, Hua Da Electronics will sell products including integrated circuit cards and smart cards modules, chips and electronic design automation tools to members of the CEC Group.

The products supplied to members of 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 members of the CEC Group are no less favourable than the prices of similar products offered to other third party customers of Hua Da Electronics.

(iii) Provision of canteen services by CEC Group

Pursuant to the Hua Da Business Services Agreement, Hua Da Electronics retains members of the CEC Group to provide canteen facilities and meals to Hua Da Electronics' staff. In return, Hua Da Electronics will pay members of the CEC Group an agreed service fee, which is determined by reference to the actual consumption and an agreed fixed service fees for such services. The service fees chargeable by members of the CEC Group for the canteen services are determined after arm's length negotiations between the parties with reference to market rates. The prices offered to Hua Da Electronics will be no less favourable than those offered by other third party service providers to Hua Da Electronics.

Historical figures of continuing connected transactions

In respect of the each category of continuing connected transactions contemplated under the Hua Da Business Services Agreement, the historical figures for each of the three financial years ended 31 December 2005, 2006 and 2007 are set out below:

Type of transaction	Historical figures for		
	2005 <i>(approximately RMB'000)</i>	2006 <i>(approximately RMB'000)</i>	2007 <i>(approximately RMB'000)</i>
Processing, testing and assembling services and purchase of raw materials and modules			
– Annual service charges paid by Hua Da Electronics	223,464	515,850	375,198
Sales of products			
– Annual charges received by Hua Da Electronics	34,336	42,991	46,886
Canteen services			
– Annual service charges paid by Hua Da Electronics	494	459	599

Proposed annual caps

It is expected that for the period commencing from the completion of the China Hua Da Acquisition until 31 December 2008 and the two financial years ending 31 December 2009 and 2010, the amount of consideration payable by Hua Da Electronics to the CEC Group for the provision of processing, testing and assembling services by the CEC Group and the purchase of raw materials and modules from the CEC Group, the amount of consideration receivable by Hua Da Electronics from the CEC Group for the sales of products and the amount of consideration payable by Hua Da Electronics to the CEC Group for the provision of canteen services will not exceed the amounts set out in the following table. Accordingly, these amounts have been set as the proposed annual caps for the relevant continuing connected transactions.

Type of transaction	For the period commencing from the completion of the China Hua Da Acquisition until 31 December 2008 (RMB'000)	For the year ending 31 December 2009 (RMB'000)	For the year ending 31 December 2010 (RMB'000)
Processing, testing and assembling services and purchase of raw materials and modules			
– Annual service charges payable by Hua Da Electronics	284,640	293,310	421,140
Canteen services			
– Annual service charges payable by Hua Da Electronics	<u>550</u>	<u>1,120</u>	<u>1,160</u>
Total annual service charges payable by Hua Da Electronics	<u>285,190</u>	<u>294,430</u>	<u>422,300</u>
Sales of products			
– Annual charges receivable by Hua Da Electronics	<u>19,620</u>	<u>36,000</u>	<u>43,200</u>

In arriving at the above annual caps for the provision of processing, testing and assembling services by the CEC Group and the purchase of raw materials and modules from the CEC Group, the Company has made reference to the historical service fees paid by Hua Da Electronics and the historical purchase volume of raw materials and modules from the CEC Group and has taken into account the expected demand of the products of Hua Da Electronics, the production plan of Hua Da Electronics and the costs of providing such services, raw materials and modules.

In arriving at the above annual caps for the sales of products to the CEC Group, the Company has made reference to the historical sales volume, the expected demand of Hua Da Electronics' products by the CEC Group and the order status of the products.

In arriving at the above annual caps for the provision of canteen services by the CEC Group to Hua Da Electronics, the Company has taken into account the historical consumption volume by Hua Da Electronics, the anticipated increase in headcount of Hua Da Electronics and the anticipated inflation rate over the period.

(2) Hua Da Deposit Services Agreement

Hua Da Electronics and CEC Finance entered into the Hua Da Deposit Services Agreement on 20 June 2008 after trading hours. CEC Finance is a subsidiary of CEC and therefore an connected person of the Company. 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 members of the CEC Group and for improving the fund utilisation efficiency of the CEC Group as a whole. As an intra-group service provider, CEC Finance generally has a better and more efficient communication with Hua Da Electronics which will allow expedient and efficient service provision by CEC Finance.

The Hua Da Deposit Services Agreement does not create any obligation on the part of Hua Da Electronics to utilise any particular services of CEC Finance. Other than the fixed deposits which have specified deposit terms, Hua Da Electronics may at any time withdraw the funds deposited with CEC Finance without incurring any penalty. CEC Finance is one of the financial institutions which provide deposit services to Hua Da Electronics. Hua Da Electronics may obtain deposit services available from any other financial institutions in addition to or instead of CEC Finance, as it sees fit.

The interest rates for deposit shall be the standard rates promulgated by the People's Bank of China for the same type of deposits. Such interest rates will not be less than the rates offered to Hua Da Electronics by normal commercial banks in the PRC for comparable deposits.

The Hua Da Deposit Services Agreement takes effect from the date of completion of the China Hua Da Acquisition and will be valid until 31 December 2010. Upon expiry of the initial term of the Hua Da Deposit Services Agreement, the agreement may be renewed for further terms of three years automatically unless either party objects by giving a written notice at least one month prior to the expiry of the Hua Da Deposit Services Agreement.

The Company proposed that for the period commencing from the completion of the China Hua Da Acquisition until 31 December 2010, the maximum balance of deposits (including the interests accrued thereon) maintained by Hua Da Electronics with CEC Finance shall not exceed RMB10 million on any given day. In determining the above proposed cap, the Company has taken into account the cashflow position of Hua Da Electronics and the treasury policy of the Group.

(3) Hua Da Tenancy Agreement

On 20 June 2008 after trading hours, Hua Da Electronics and Beijing Huada Zhibao entered into the Hua Da Tenancy Agreement pursuant to which Beijing Huada Zhibao agreed to lease to Hua Da Electronics the premises which is situated in Gaojiayuan, Beijing, PRC.

Details of the Hua Da Tenancy Agreement is set out below:

Date: 20 June 2008

Landlord: Beijing Huada Zhibao

Tenant: Hua Da Electronics

Premises:	Levels 1 to 3 and Level 5 of the building located at No. 1 Gaojiayuan, Chaoyang District, Beijing, PRC.
Term:	One (1) year commencing from 1 July 2008 and expiring on 30 June 2009 (both days inclusive).
	Hua Da Electronics has the right to request for the renewal of the Hua Da Tenancy Agreement by giving a written notice to Beijing Huada Zhibao three months prior to the expiry of the Hua Da Tenancy Agreement. Hua Da Electronics shall have priority over the others to lease the premises.
Gross floor area:	approximately 3,960 square metres
Rental:	RMB2,082,544 per annum (which is exclusive of utilities charges which shall be borne by Hua Da Electronics).
Usage:	Research and development and offices purposes

The aggregate rentals payable by Hua Da Electronics to Beijing Huada Zhibao under the Hua Da Tenancy Agreement for the period commencing from the completion of the China Hua Da Acquisition until 31 December 2008 and for the six months ending 30 June 2009 will not exceed RMB960,000 and RMB1,041,272, respectively. The annual caps for the transactions contemplated under the Hua Da Tenancy Agreement for the period commencing from the completion of the China Hua Da Acquisition until 31 December 2008 and for the six months ending 30 June 2009 are therefore set at such amounts accordingly.

Hua Da Electronics is currently occupying the premises as its research and development centre and offices. Since the old tenancy agreement in respect of the premises will expire in June 2008, Hua Da Electronics and Beijing Huada Zhibao entered into the Hua Da Tenancy Agreement to renew the tenancy. The terms of the Hua Da Tenancy Agreement have been arrived at after arm's length negotiations between the parties and with reference to open market rent of properties of comparable size, use and location which is publicly available in the market.

Beijing Huadao Zhibao is a subsidiary of CEC and therefore a connected person of the Company. Beijing Huada Zhibao is principally engaged in the design, research and development, manufacture and sale of integrated circuits and electronics system software and the provision of system integration services.

Listing Rules implications

Apart from the Hua Da Business Services Agreement, Sang Fei, the principal operating subsidiary of the Company, has also entered into the Business Services Agreement with CEC to set out the framework for the ongoing business relationship between the CEC Group and Sang Fei. Details of the Business Services Agreement between Sang Fei and CEC are set out in the announcements of the Company dated 18 June 2004, 21 December 2006 and 8 August 2007.

Apart from the Hua Da Deposit Services Agreement, Sang Fei has also entered into the Deposit Services Agreement with CEC Finance, pursuant to which Sang Fei will utilise the deposit services offered by CEC Finance. Details of the Deposit Services Agreement between Sang Fei and CEC are set out in the announcement of the Company dated 20 September 2007.

Apart from the transactions contemplated under the Hua Da Tenancy Agreement, the Group has also been leasing and licensing certain properties from members of the CEC Group through the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements. Details of the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and the other rental arrangements are set out in the announcements of the Company dated 9 April 2008, 15 September 2006 and 18 June 2004, respectively.

Under the Listing Rules, the transactions under the Hua Da Business Services Agreement and the Business Services Agreement, the transactions under the Hua Da Deposit Services Agreement and the Deposit Services Agreement, the transactions under the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements, will in each case be aggregated and treated as if they were one transaction. Other than the above, there are no other prior continuing connected transactions between the Group and the counterparties of the continuing connected transactions which would require aggregation under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Business Services Agreement and the Business Services Agreement, as aggregated, are more than 2.5%, the Hua Da Business Services Agreement is, pursuant to Rule 14A.35 of the Listing Rules, subject to the reporting, announcement and independent shareholders' approval requirements.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Deposit Services Agreement and the Deposit Services Agreement, as aggregated, are less than 2.5%, the Hua Da Deposit Services Agreement is, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions under the Hua Da Tenancy Agreement, the Sang Da Tenancy Agreement, the Great Wall Tenancy Agreement and other rental arrangements, as aggregated, are less than 2.5%, the Hua Da Tenancy Agreement is, pursuant to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements.

The Directors (in the case of the Hua Da Business Services Agreement, 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 described above will be carried out in the ordinary and usual course of business of Hua Da Electronics 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.

SGM

The SGM will be convened to consider and, if thought fit, to approve the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition, the Other Vendors Acquisition and the Non-exempt Continuing Connected Transactions. 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 Acquisition and the Continuing Connected Transactions, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Non-exempt Continuing Connected Transactions, the recommendation from the Independent Board Committee and the financial information in respect of Hua Da Electronics together with the notice of the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITION

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

“Acquisition”	together, the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition
“associates”	has the meaning ascribed to this term under the Listing Rules
“Beijing Hua Da Xinan”	北京華大信安科技有限公司(Beijing Huada Infosec Technology Co., Ltd.), a company established under the law of the PRC
“Beijing Huada Zhibao”	北京華大智寶電子系統有限公司(Beijing Huada Zhibao Electronic System Co., Ltd.), a company established under the laws of the PRC
“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 law of the PRC, the vendor under the Beijing Shoufa Xinan Agreement
“Beijing Shoufa Xinan Acquisition”	the acquisition of a 7.50% equity interest in Hua Da Electronics by the Company from Beijing Shoufa Xinan pursuant to 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 Beijing Shoufa Xinan Acquisition
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays) on which banks in Hong Kong and the PRC are generally open for the transaction of normal banking business
“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 Sang Fei and CEC
“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 the 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
“CIDC”	CIDC (H.K.) Limited, a company incorporated in Hong Kong
“Company”	China Electronics Corporation Holdings Company Limited
“Completion”	completion of the China Hua Da Acquisition, the Beijing Shoufa Xinan Acquisition and the Other Vendors Acquisition in accordance with the terms of the China Hua Da Agreement, the Beijing Shoufa Xinan Agreement and the Other Vendors Agreement, respectively
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consideration Shares”	608,000,000 new Shares to be allotted and issued at the Issue Price for settlement of the consideration for the Acquisition and a “Consideration Share” shall be construed accordingly
“Continuing Connected Transactions”	the continuing connected transactions described in the section headed “Continuing Connected Transactions” in this announcement
“Deposit Services Agreement”	the deposit services agreement dated 20 September 2007 and entered into between Sang Fei and CEC Finance
“Directors”	the directors of the Company
“Excluded Assets”	together, a 71.26% equity interest in Beijing Hua Da Xinan, a 80% equity interest in Guangdong Hua Da and Hua Da Electronics’ entire shareholding in CIDC
“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

“Guangdong Hua Da”	廣東華大集成電路設計有限責任公司(Guangdong Huada Electronic Design Co., Ltd.) , a company established under the law of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hua Da Business Services Agreement”	the business services agreement dated 20 June 2008 entered into between CEC and Hua Da Electronics
“Hua Da Deposit Services Agreement”	the deposit services agreement dated 20 June 2008 entered into between CEC Finance and Hua Da Electronics
“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 Acquisition and the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CEC and its associates
“Issue Price”	the issue price of HK\$2.50 per Consideration Share
“Last Trading Day”	20 June 2008, being the last trading day prior to entering into of the Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Hua Da Business Services Agreement, such transactions and agreement are further described under the paragraph headed “Continuing Connected Transactions” of this announcement
“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 Jingge, Mr. Xiao Gang and Mr. Jiang Shiping, being all the vendors under the Other Vendors Agreement

“Other Vendors Acquisition”	the acquisition of an aggregate of 27.75% equity interest in Hua Da Electronics by the Company pursuant to 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 Other Vendors Acquisition
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sang Da Tenancy Agreement”	the tenancy agreement dated 9 April 2008 entered into between 深圳市桑達實業股份有限公司(Shenzhen SED Industry Co., Ltd.), a member of the CEC Group, 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, Keji Road, Technology and 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 Acquisition and the Non-exempt Continuing Connected Transactions
“Share(s) ”	ordinary shares 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
“%”	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
China Electronic Corporation Holdings Company Limited
Xiong Qunli
Chairman

Hong Kong, 20 June 2008

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*