
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION

(2) RE-ELECTION OF DIRECTOR

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

ALTUS CAPITAL LIMITED

A notice convening a special general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 10 January 2014 at 10:00 a.m. is set out on pages 49 to 50 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting should you so wish.

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company is set out on page 17 of this circular. A letter from Altus Capital Limited, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 18 to 31 of this circular.

20 December 2013

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	17
Letter from Altus Capital	18
Appendix I – Financial Information	32
Appendix II – Property Valuation Report	35
Appendix III – General Information	42
Notice of SGM	49

DEFINITIONS

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

“Additional Consideration”	the difference between the Basic Consideration and the total development cost of the Property
“Altus Capital”	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 terms of the Transfer Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Basic Consideration”	a basic consideration in the sum of RMB296,374,000 payable by Huada Electronics to CEC Research Institute for the acquisition of the Property Transfer Right
“Beijing Land Bureau”	Beijing Municipal Bureau of Land and Resources, the PRC (中華人民共和國北京市國土資源局)
“Board”	the board of Directors
“CEC”	China Electronics Corporation Limited (中國電子信息產業集團有限公司), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
“CEC Research Institute”	CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司), a company established under the laws of the PRC, which is a wholly-owned subsidiary of CEC
“China Huada”	China Integrated Circuit Design Corp., Ltd (中國華大集成電路設計集團有限公司), a substantial shareholder of the Company

DEFINITIONS

“Company”	China Electronics Corporation Holdings Company Limited
“Completion”	the completion of the Transfer Agreement, pursuant to which CEC Research Institute shall grant the Property Transfer Right to Huada Electronics within one month upon the Effective Date of the Transfer Agreement
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	consists of (i) the Basic Consideration and (ii) the Additional Consideration, being the consideration payable by Huada Electronics to CEC Research Institute for the acquisition of the Property Transfer Right
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which all the conditions precedent of the Transfer Agreement have been satisfied
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huada Electronics”	CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司), a company established under the laws of the PRC, which is a wholly-owned subsidiary of the Company
“Independent Board Committee”	the committee of Directors consisting of Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Yin Yongli, being all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Transfer Agreement

DEFINITIONS

“Independent Shareholders”	shareholders of the Company other than CEC and its associates
“Latest Practicable Date”	16 December 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Project”	the project titled “The China Electronics Information Security Technology Research Institute” (“中國電子信息安全技術研究院”) for constructing various offices complexes in the southern area of Future and Science Technology City
“Property”	all the 6-storey and 118 car-parking spaces on basement one of Block C of phase one of the Project, which is located in the southern area of Future and Science Technology City, Beiqijia, Changping District, Beijing, the PRC
“Property Transfer Right”	the property transfer right to be granted by CEC Research Institute to Huada Electronics, which Huada Electronics shall require CEC Research Institute to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics, subject to the terms and conditions of the Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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 (a) the Transfer Agreement and the transactions contemplated thereunder; and (b) the re-election of director
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	the conditional agreement dated 1 November 2013 entered into between Huada Electronics and CEC Research Institute relating to the acquisition of the Property Transfer Right
“%”	per cent.

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

LETTER FROM THE BOARD



CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

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

(Stock Code: 00085)

Non-executive Director:

Rui Xiaowu (*Chairman*)

Executive Directors:

Xie Qinghua (*Managing Director*)

Liu Hongzhou (*Vice Chairman*)

Liu Jinping

Independent Non-executive Directors:

Chan Kay Cheung

Qiu Hongsheng

Yin Yongli

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in

Hong Kong:

Room 3403, 34th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

20 December 2013

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION

(2) RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to (1) the announcement of the Company dated 1 November 2013 in relation to, among other things, the entering into of the Transfer Agreement between Huada Electronics and CEC Research Institute in respect of the acquisition of the Property Transfer Right; and (2) the announcement of the Company dated 11 October 2013 in relation to change of directorship.

* For identification purpose only

LETTER FROM THE BOARD

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Transfer Agreement. In this respect, Altus Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

The purpose of this circular is to provide you with, among other things, (i) information on the Transfer Agreement; (ii) to set out the advice from Altus Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the same; (iii) the recommendation from the Independent Board Committee; (iv) financial information of the Group; (v) property valuation report; (vi) information on the re-election of director; and (vii) to give notice of SGM.

1. MAJOR TRANSACTION AND CONNECTED TRANSACTION

Background

Reference is made to the announcement dated 1 November 2013 of the Company in relation to the major and connected transaction between Huada Electronics, a wholly-owned subsidiary of the Company, and CEC Research Institute under the Transfer Agreement pursuant to which Huada Electronics has conditionally agreed to acquire and CEC Research Institute has conditionally agreed to sell the Property Transfer Right.

The Transfer Agreement

Date:	1 November 2013
Purchaser:	Huada Electronics
Vendor:	CEC Research Institute

Acquisition of the Property Transfer Right

Pursuant to the Transfer Agreement, Huada Electronics has conditionally agreed to acquire and CEC Research Institute has conditionally agreed to sell the Property Transfer Right, pursuant to which Huada Electronics shall require CEC Research Institute to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics subject to the terms and conditions of the Transfer Agreement.

LETTER FROM THE BOARD

Information of the Property

CEC Research Institute has obtained the approval of the PRC government concerned to carry out the Project. The Project is designated for education and scientific research facilities uses, which is located in the southern area of Future and Science Technology City, Beiqijia, Changping District, Beijing, the PRC. The Project occupies a site area of approximately 351 mu (being approximately 234,000 square meters). The Project is divided into two phases of construction. The total gross floor area of phase one of the Project is approximately 160,367 square meters and comprises of four 6-storey blocks (Block A, B, C and D) plus two levels of basement. It has a planned total gross floor area of approximately 99,867 square meters above ground and underground area of approximately 60,500 square meters.

The Property will comprise all the 6-storey of Block C of phase one of the Project, with a total gross floor area of approximately 22,798 square meters, and 118 car-parking spaces on basement one of Block C.

The building in which the Property located has been structurally completed, which satisfies the conditions for entry to the Property to carry out secondary interior refined decoration. CEC Research Institute guarantees that, on or before 31 December 2013, all municipal infrastructure facilities of the Property will be completed.

As advised by EastBright Law Firm, Company's PRC legal adviser:

- (1) the terms and conditions of the Transfer Agreement comply with the PRC laws, which will not result in the Transfer Agreement becoming not effective; and
- (2) CEC Research Institute and Beijing Land Bureau have entered into a land use right transfer contract, pursuant to which CEC Research Institute shall own the land use right of the Project and shall be entitled to allow Huada Electronics to use the Property including the land occupied by the Property subject to the provisions of the relevant PRC laws and regulations. CEC Research Institute will be able to transfer the legal title of the Property to Huada Electronics upon the issue of the relevant certificates by the PRC government.

LETTER FROM THE BOARD

Consideration

The consideration for the acquisition of the Property Transfer Right shall be determined as follows:

(i) Basic Consideration

The Basic Consideration shall be satisfied by Huada Electronics in cash in the following manner:

- (1) a deposit of RMB50,000,000, payable within five business days of the signing of the Transfer Agreement;
- (2) 50% of the balance of the Basic Consideration after deducting the deposit, payable within five business days upon the Effective Date of the Transfer Agreement; and
- (3) the balance of the Basic Consideration, payable within one month upon the Effective Date of the Transfer Agreement.

(ii) Additional Consideration

Within one month of the finalisation of the total development cost of the Property, CEC Research Institute and Huada Electronics will settle the Additional Consideration in cash as follows:

- (1) if the total development cost of the Property is less than the Basic Consideration, CEC Research Institute shall refund the difference to Huada Electronics; or
- (2) if the total development cost of the Property is higher than the Basic Consideration but lower than 110% of the Basic Consideration, Huada Electronics shall pay the difference to CEC Research Institute; or

LETTER FROM THE BOARD

- (3) if the total development cost of the Property is higher than 110% of the Basic Consideration, Huada Electronics shall be entitled to terminate the Transfer Agreement. CEC Research Institute unconditionally undertakes and agrees to fully refund the Basic Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Huada Electronics, whereas Huada Electronics shall also pay a rental calculated at RMB78 per square meter per month, for using the Property during the relevant period, to CEC Research Institute.

The development cost of the Property shall be subject to, including without limitation, the price of construction materials, wages of workers and the development and construction, etc. under the normal market practice.

In the event that the total development cost of the Property becomes higher than 110% of the Basic Consideration, the Company and Huada Electronics would not proceed with the transactions under the Transfer Agreement and would request CEC Research Institute to fully refund the Basic Consideration pursuant to the Transfer Agreement.

The Consideration was determined after arm's length negotiations between CEC Research Institute and Huada Electronics. The Company expected that the Consideration to be paid by Huada Electronics will be satisfied in cash from internal resources and borrowing facilities of the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the cost incurred by CEC Research Institute in respect of the Property shall be at approximately RMB13,000 per square meter, subject to the finalisation of the total development cost. Save and except disclosed in this circular, there is no other significant cost in relation to the development of the Property incurred by CEC Research Institute.

Pursuant to the property valuation report prepared by DTZ set out in Appendix II to this circular, the estimated market value of the Property (as if completed) as at 31 October 2013 was RMB375,300,000. The Consideration represents a minimum discount of 13% (assuming the Additional Consideration reaches its maximum and equal to 10% of the Basic Consideration) to the estimated market value of the Property (as if completed) as at 31 October 2013.

LETTER FROM THE BOARD

Conditions precedent

The Transfer Agreement shall take effect upon the following:

- (i) the Transfer Agreement having been signed by the legal representative or authorised representative of CEC Research Institute and of Huada Electronics;
- (ii) CEC Research Institute and Huada Electronics having obtained all necessary internal authorisations, consents and approvals in writing in relation to the Transfer Agreement;
- (iii) the Transfer Agreement having obtained approvals from the Independent Shareholders at the SGM; and
- (iv) the Transfer Agreement having completed other necessary approval or filing procedures in the PRC.

The Effective Date of the Transfer Agreement shall be subject to the satisfaction of the condition precedents of the Transfer Agreement.

As advised by EastBright Law Firm, Company's PRC legal adviser:

- (i) the Transfer Agreement is required to be approved by the board of directors of CEC Research Institute and Huada Electronics; and
- (ii) the Transfer Agreement does not need to obtain other approval from the PRC government upon due execution of both parties.

As at the Latest Practicable Date, the Transfer Agreement has satisfied all the conditions precedent, save and except the approvals from the Independent Shareholders at the SGM. In the event that the approval from the Independent Shareholders for the Transfer Agreement is not obtained, CEC Research Institute will refund the deposit of RMB50,000,000 to Huada Electronics in order to avoid a provision of financial assistance by the Group under the Listing Rules.

LETTER FROM THE BOARD

Completion

Completion shall be taken place within one month upon the Effective Date of the Transfer Agreement. Upon Completion, CEC Research Institute shall grant the Property Transfer Right to Huada Electronics. The rights for usage and income of the Property shall be transferred from CEC Research Institute to Huada Electronics subject to the terms and conditions set out in the Transfer Agreement. Pursuant to the Transfer Agreement, both Huada Electronics and CEC Research are obliged to complete the transfer of the legal title of the Property, save and except the followings:

- (i) in the event that the total development cost of the Property becomes higher than 110% of the Basic Consideration, the Company and Huada Electronics would not proceed with the transactions under the Transfer Agreement and would request CEC Research Institute to fully refund the Basic Consideration pursuant to the Transfer Agreement;
- (ii) in the event that CEC Research Institute is not able to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics within two years upon the Effective Date of the Transfer Agreement, CEC Research Institute shall fully refund the Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Huada Electronics, whereas Huada Electronics shall also pay a rental calculated at RMB78 per square meter per month, for using the Property during the relevant period, to CEC Research Institute; and
- (iii) if any party breaches the Transfer Agreement or the warranties thereunder and such breach causes damages to the other party, the defaulting party shall fully compensate the non-defaulting party unless otherwise provided by the Transfer Agreement.

Therefore, Huada Electronics shall exercise the Property Transfer Right to require CEC Research Institute to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics subject to the terms and conditions of the Transfer Agreement.

LETTER FROM THE BOARD

Other Key Terms

(i) Warranties

CEC Research Institute warrants to Huada Electronics that:

- (a) it has absolute title to the Property subject to the issue of the relevant certificates by the PRC government;
- (b) the Property is not subject to any encumbrance;
- (c) the basic facilities of the Property shall satisfy the education and scientific research purposes; and
- (d) the rights for usage and income of the Property shall be transferred to Huada Electronics on the Effective Date.

(ii) Undertaking given by CEC Research Institute

Upon the issue of the relevant certificates by the PRC government, CEC Research Institute shall transfer the legal title of the Property to Huada Electronics. CEC Research Institute unconditionally undertakes and agrees that in the event that CEC Research Institute is not able to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics within two years upon the Effective Date of the Transfer Agreement, CEC Research Institute shall fully refund the Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Huada Electronics, whereas Huada Electronics shall also pay a rental calculated at RMB78 per square meter per month, for using the Property during the relevant period, to CEC Research Institute.

(iii) Breach of Transfer Agreement

- (a) If any party breaches the Transfer Agreement or the warranties thereunder and such breach causes damages to the other party, the defaulting party shall fully compensate the non-defaulting party unless otherwise provided by the Transfer Agreement.
- (b) If Huada Electronics pays the Consideration late, it shall pay CEC Research Institute 0.01% of the amount due as liquidated damages for each overdue day, and if the amount is overdue for more than 30 business days from the respective payment date(s) under the Transfer Agreement, CEC Research Institute may unilaterally terminate the Transfer Agreement.

LETTER FROM THE BOARD

- (c) If CEC Research Institute delays the delivery of the Property or the Property fails to meet the conditions specified under the Transfer Agreement, CEC Institute Research shall pay Huada Electronics 0.01% of the Basic Consideration as liquidated damages for each defaulting day.
- (d) If any party deliberately delays or does not cooperate with the other party and such delay or non-cooperation constitutes a breach of the Transfer Agreement, the defaulting party shall pay to the non-defaulting party 0.01% of the total development cost as liquidated damages for each defaulting day.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

Huada Electronics first leased its current office in Beijing in 2009; and due to business expansion, Huada Electronics had in 2011 leased an additional office unit in a building next to its initial office premise. On the other hand, the rental rate of Huada Electronics' initial office premise increased from RMB90 to RMB120 per square meter per month. Moreover, the rental rates for office premises in Beijing have continued to increase in the past years and Huada Electronics has faced difficulties looking for premises with relevant facilities, of desirable floor area and at reasonable rental rates to meet its operating requirements. The current total floor space of approximately 6,800 square meters limits Huada Electronics' current operating needs and expansion plans. Therefore, Huada Electronics aims to have its own office and a new research center.

Based on the above, the Board believes the Transfer Agreement, are in line with the development strategies of the Group, and will bring long-term and strategic benefits to the Group and the Directors are of the view that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

CEC, which is interested in approximately 71.30% of the issued share capital of the Company as at the Latest Practicable Date, is the ultimate controlling shareholder of the Company and hence a connected person of the Company. CEC Research Institute, being a wholly-owned subsidiary of CEC, is also a connected person of the Company. The Transfer Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios referred to in Chapters 14 and 14A of the Listing Rules for the Transfer Agreement and the transactions contemplated thereunder exceed 25% but all of which are less than 100%, the Transfer Agreement and the transactions contemplated thereunder constitutes a major transaction and connected transaction of the Company under Chapter 14 and 14A of the Listing Rules respectively and is subject to requirements for reporting, announcement and independent shareholders' approval.

None of the Directors have a material interest in the Transfer Agreement and the transactions contemplated thereunder. Accordingly, no Director was required to abstain from voting on the board resolution in respect thereof.

2. RE-ELECTION OF DIRECTOR

On 11 October 2013, the Company announced that Mr. Liu Hongzhou was appointed as an executive Director and the Vice Chairman of the Company with effect from the same date. Pursuant to Code Provision A.4.2 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, Mr. Liu shall retire at the first general meeting after his appointment and, being eligible, Mr. Liu offers himself for re-election at the SGM.

The biographical details of Mr. Liu Hongzhou are set out below:

Mr. Liu Hongzhou, aged 51, is an executive Director and the Vice Chairman of the Company. Mr. Liu graduated from the School of International Business of Nanjing University and holds a postgraduate degree in Business and Administration, and is a senior engineer. Mr. Liu, having spent much of his career in CEC, was a divisional deputy director of the Asset Management Department of CEC, an executive director and the deputy general manager of Winfair Development Limited, a divisional director of the Investment Banking Department of CEC, the deputy general manager of China Electronics Technology Development Corporation, the deputy general manager of the Asset Management Department of CEC, the deputy general manager of the Company, a director of the General Office of CEC, a director of Shenzhen SED Industry Co., Ltd (a company listed on the Shenzhen Stock Exchange), and the managing director of Shenzhen SED Electronics Group Company Ltd. Save as disclosed above, Mr. Liu has not held any directorship in any listed public companies in the past three years.

Mr. Liu has not entered into any service contract with the Company which provides for a specified length of service. Mr. Liu will be subject to retirement by rotation and re-election under the bye-laws of the Company and the Listing Rules. Mr. Liu will receive an annual remuneration of HK\$750,000 in his capacity as an executive Director and the Vice Chairman of the Company and will also be entitled to a discretionary bonus, as determined with reference to his duties, responsibilities and to the prevailing market conditions.

LETTER FROM THE BOARD

Save as disclosed herein, Mr. Liu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Liu does not have any interest in shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, there is no other matter relating to the re-election of Mr. Liu that needs to be brought to the attention of the Shareholders, nor is there any information which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

GENERAL INFORMATION

The Company is an investment holding company. Huada Electronics is a company established under the laws of the PRC and a wholly-owned subsidiary of the Company. Huada Electronics primarily engaged in the design, research and development and sales of integrated circuits.

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.

CEC Research Institute is a company established under the laws of the PRC and a wholly-owned subsidiary of CEC. CEC Research Institute primarily engaged in the promotion of electronic information security technology, general construction contracting, software development and sale of electronic products.

SGM

A notice convening the SGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 10 January 2014 at 10:00 a.m. is set out on pages 49 to 50 of this circular. At the SGM, resolutions will be proposed to approve (a) the Transfer Agreement and the transactions contemplated thereunder; and (b) the re-election of Director. Any connected person with a material interest in the transaction, and any Shareholder with a material interest in the transaction and its associates will not vote. As such, CEC and its associates, holding 1,206,180,000 shares of the Company (representing approximately 71.30% of the issued share capital of the Company), shall abstain from voting on the resolution approving the Transfer Agreement and the transactions contemplated thereunder. To the best of the information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution approving the re-election of Director. Pursuant to Rule 13.39(4) of the Listing Rules, all the above resolutions shall be taken by poll at the SGM.

LETTER FROM THE BOARD

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

BOOK CLOSURE PERIOD

Shareholders whose names appear on the register of members of the Company on 10 January 2014 will be entitled to attend and vote at the SGM. The register of members of the Company will be closed from 8 January 2014 to 10 January 2014 (both days inclusive), during which period no transfer of shares of the Company will be registered.

In order to be entitled to attend and vote at the SGM, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 January 2014.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors are of the view that the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable (or better to the Group) and the entering into the Transfer Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in relation to the Transfer Agreement.

FURTHER INFORMATION

Your attention is also drawn to the financial and general information set out in the Appendices to this circular.

Yours faithfully,

For and on behalf of the Board

China Electronics Corporation Holdings Company Limited

Rui Xiaowu

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

20 December 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 20 December 2013 (the “Circular”) , of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders in relation to the Transfer Agreement. In this connection, Altus Capital has been appointed as the independent financial adviser to advise on these matters.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 16 of the Circular which contains, inter alia, information about the terms of the Transfer Agreement, the “Letter from Altus Capital” set out on pages 18 to 31 of the Circular which contains the advice from Altus Capital in respect of the Transfer Agreement and the additional information set out in the Appendices thereto.

We, having considered the terms of the Transfer Agreement and having taken into account the principal factors and reasons considered by Altus Capital as stated in its letter of advice, consider that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transfer Agreement, as detailed in the notice of SGM set out on pages 49 to 50 of the Circular.

Yours faithfully,

Independent Board Committee

Chan Kay Cheung

Qiu Hongsheng

Yin Yongli

Independent non-executive Directors

* For identification purpose only

LETTER FROM ALTUS CAPITAL

The following is the text of a letter of advice from Altus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

20 December 2013

*To the Independent Board Committee and
the Independent Shareholders*

China Electronics Corporation Holdings Company Limited
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE PROPERTY TRANSFER RIGHT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer Agreement and the transactions contemplated thereunder. Details of the Transfer Agreement are set out in the “Letter from the Board” contained in the circular of the Company dated 20 December 2013 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL

On 1 November 2013, Huada Electronics, a wholly-owned subsidiary of the Company, and CEC Research Institute entered into the Transfer Agreement pursuant to which Huada Electronics has conditionally agreed to acquire and CEC Research Institute has conditionally agreed to sell the Property Transfer Right. The consideration for the acquisition of the Property Transfer Right consists of (i) the Basic Consideration in the sum of approximately RMB296.4 million (equivalent to approximately HK\$377.0 million); and (ii) the Additional Consideration representing the difference between the Basic Consideration and the total development cost of the Property.

As at the Latest Practicable Date, CEC, which is interested in approximately 71.3% of the issued share capital of the Company, is the ultimate controlling shareholder of the Company and hence a connected person to the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, CEC Research Institute, being a wholly-owned subsidiary of CEC, is also a connected person to the Company under Chapter 14A of the Listing Rules. Accordingly, the Transfer Agreement and the transactions contemplated thereunder constitute connected transaction of the Company.

As one or more of the applicable percentage ratios referred to in Chapters 14 and 14A of the Listing Rules for the Transfer Agreement and the transactions contemplated thereunder exceed 25% but all of which are less than 100%, the Transfer Agreement and the transactions contemplated thereunder constitutes a major transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules respectively and is subject to the reporting, announcement and independent shareholders' approval requirements.

For the purpose of this letter, the exchange rate of HK\$1 = RMB0.78605 has been applied unless otherwise stated.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Yin Yongli, has been established to consider the Transfer Agreement and the transactions contemplated thereunder, and to give advice and recommendation to the Independent Shareholders as to whether the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and on how to vote on the resolution to be proposed at the SGM.

LETTER FROM ALTUS CAPITAL

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Transfer Agreement and the transactions contemplated thereunder are in the interests of Company and the Shareholders as a whole; (ii) whether the Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM ALTUS CAPITAL

THE TRANSFER AGREEMENT

Principal factors and reasons considered

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information

1.1 Information on the Group and Huada Electronics

The principal activities of the Group are the design, research and development and sales of integrated circuits. Huada Electronics, a principal and wholly-owned subsidiary of the Company, was established in 2002.

Set out below is a summary of financial highlights of the Group for each of the two years ended 31 December 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 December 2012 (the “2012 Annual Report”) and the interim report of the Company for the six months ended 30 June 2013 (the “2013 Interim Report”) respectively.

	Year ended		Six months ended	
	31 December		30 June	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	995,111	1,155,632	611,317	728,341
Gross profit	329,279	451,728	232,674	329,723
Profit for the				
year/period	114,659	197,584	113,863	136,464

	As at 31 December		As at
	2011	2012	30 June
	HK\$'000	HK\$'000	2013
	(audited)	(audited)	(unaudited)
Cash and cash equivalents	329,453	476,619	521,900
Net asset value	607,579	805,802	906,055

Sources: The 2012 Annual Report and 2013 Interim Report

LETTER FROM ALTUS CAPITAL

As described in the 2012 Annual Report and the 2013 Interim Report, the Group has been profitable and recorded profit after tax of approximately HK\$197.6 million for the year ended 31 December 2012 and approximately HK\$136.5 million for the six months ended 30 June 2013. According to the management of the Group, the Group financed its operations primarily by internal resources, including profits from its operations, and to a limited extent, short term loans. As at 30 June 2013, the Group had cash and cash equivalents amounting to approximately HK\$521.9 million. As at 31 October 2013, the management of the Group confirmed that the Group's aggregate undrawn committed borrowing facilities amounted to approximately RMB340.0 million (equivalent to approximately HK\$432.5 million), which included a RMB60.0 million (equivalent to approximately HK\$76.3 million) undrawn borrowing facility of Huada Electronics.

Although independent shareholders of the Company have approved the acquisition of 100% equity interest in China Electronics Technology Development Co., Ltd (the "CEC Technology Acquisition") at a special general meeting of the Company held on 11 October 2013, the CEC Technology Acquisition has yet to be completed as it is subject to the relevant conditions precedent as prescribed in the agreement dated 5 July 2013 and entered into between the Company and CEC in respect of the CEC Technology Acquisition being fulfilled. According to the management of the Group, completion of the CEC Technology Acquisition shall take place on the date on which the registration with the relevant authority of industry and commerce has completed and the issue of the business licence of CEC Technology.

1.2 Information on CEC Research Institute

CEC Research Institute is a wholly-owned subsidiary of CEC and is primarily engaged in the promotion of electronic information security technology, general construction contracting, software development and sale of electronic products.

1.3 Information on CEC

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 focuses on communications, consumer electronics, semi-conductor and software sectors in the PRC.

LETTER FROM ALTUS CAPITAL

2. *The Transfer Agreement*

Pursuant to the Transfer Agreement, Huada Electronics has conditionally agreed to acquire and CEC Research Institute has conditionally agreed to sell the Property Transfer Right, pursuant to which Huada Electronics shall be entitled to require CEC Research Institute to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics subject to the terms and conditions of the Transfer Agreement.

2.1 Information on the Property

According to the “Letter from the Board” of the Circular, CEC Research Institute has obtained the approval of the PRC government concerned to carry out the Project, which will be developed in two phases. Phase one of the Project consists of four six-storey buildings being Blocks A, B, C and D plus two levels of basement. Further details of the Project are set out in the “Letter from the Board” of the Circular.

The Property refers to the aforesaid Block C, which is a six-storey building with a total gross floor area of approximately 22,798 square meters, and 118 car-parking spaces at the basement of the Property. Based on the discussion with the Group’s management, the infrastructure and facilities in the Project are catered specifically for information technology and electronics-related companies, which fit Huada Electronics’ operational requirements.

It was noted that the building of the Property has been structurally completed and satisfies the conditions for entry to carry out secondary interior refined decoration. CEC Research Institute guarantees that, on or before 31 December 2013, all municipal infrastructure facilities of the Property will be completed; thus, enabling Huada Electronics to move into the Property on such date.

As at the Latest Practicable Date, the Property has not been granted the Certificate for the Use of State-owned Land and the Building Ownership Certificate, but CEC Research Institute has signed the Land Use Right Transfer Contract with the Beijing Land Bureau. Notwithstanding the aforesaid circumstances, according to the PRC legal opinion, the entering of the Transfer Agreement does not violate the provisions of the laws of the PRC and will not render the contractual arrangement under the Transfer Agreement as invalid.

LETTER FROM ALTUS CAPITAL

2.2 *The Consideration*

The Consideration for the acquisition of the Property Transfer Right consists of two parts: (i) the Basic Consideration; and (ii) the Additional Consideration as described below, which was determined after arm's length negotiation between Huada Electronics and CEC Research Institute.

2.2.1 The Basic Consideration

The Basic Consideration is in the sum of approximately RMB296.4 million (equivalent to approximately HK\$377.0 million).

2.2.2 The Additional Consideration

The Additional Consideration represents the difference between the Basic Consideration and the total development cost of the Property. CEC Research Institute shall refund the difference to Huada Electronics if the total development cost of the Property is less than the Basic Consideration, or Huada Electronics shall pay the difference to CEC Research Institute if the total development cost of the Property is higher than the Basic Consideration but lower than 110.0% of the Basic Consideration.

Huada Electronics shall terminate the Transfer Agreement if the total development cost of the Property is higher than 110.0% of the Basic Consideration and CEC Research Institute shall fully refund the Basic Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Huada Electronics. In return, Huada Electronics shall pay CEC Research Institute a sum as rent for occupying the Property during the relevant period.

As stated in the "Letter from the Board" of the Circular, (i) the cost incurred by CEC Research Institute in respect of the Property is approximately RMB13,000 per square meter (subject to the finalisation of the total development cost); and (ii) save as those disclosed in the Circular, there is no other significant cost in relation to the development of the Property both incurred or to be incurred by CEC Research Institute.

LETTER FROM ALTUS CAPITAL

Based on the discussion with the management of the Group, we note that total development costs of the Property can be different from the original plan and that the Additional Consideration was negotiated for the purpose of safeguarding the Company's interests by setting an indicator to the extent the amount the Group will pay for the Property Transfer Right. In the event that the total development cost of the Property exceeds 110.0% of the Basic Consideration, the Company and Huada Electronics will not proceed with the transactions under the Transfer Agreement and will request CEC Research Institute to fully refund the Basic Consideration pursuant to the Transfer Agreement.

According to the valuation report issued by DTZ as set out in Appendix II of the Circular, the Property (as if completed) has an estimated market value of approximately RMB375.3 million (equivalent to approximately HK\$477.5 million) as at 31 October 2013. We have discussed with DTZ and noted that it has adopted the direct comparison approach by making reference to comparable sales transactions available in the market. We consider this methodology and the underlying assumptions to be a commonly adopted approach and justifiable. We have also noted the past sales transactions of that area and believe the information provides a reasonable basis to form a view that the valuation presented by DTZ represents a fair market value of the Property (as if completed) as at 31 October 2013. We believe that we have satisfied the work done required under Rule 13.80 of the Listing Rules when we relied on the valuation report issued by DTZ.

If the aggregate consideration is equivalent or up to 110.0% of the Basic Consideration, that is (assuming a range between approximately RMB296.4 million (equivalent to approximately HK\$377.0 million) to approximately RMB326.0 million (equivalent to approximately HK\$414.7 million)), the Consideration will represent a discount of approximately 21.0% to 13.1% to the estimated market value of the Property (as if completed) as at 31 October 2013.

Shareholders should note that if the total development cost is less than the Basic Consideration, the percentage discount to the estimated market value of the Property (as if completed) as at 31 October 2013 will be more than 21.0%. For the purpose of our analysis, we have used the Basic Consideration as the base case. This is because if we conclude the Consideration as fair and reasonable, an amount lower than the Basic Consideration being the Consideration paid by Huada Electronics will represent a higher discount to the estimated market value of the Property (as if completed) as at 31 October 2013 as valued by DTZ, which in turn is favourable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ALTUS CAPITAL

According to the legal opinion from the PRC legal adviser, it is noted that even though CEC Research Institute shall own the land use right of the Project, it has yet to obtain the Certificate for the Use of State-owned Land. Given this, the Transfer Agreement has a potential risk of non-completion if CEC Research Institute cannot transfer the legal title of the Property to Huada Electronics within two years upon the Effective Date of the Transfer Agreement. In the section headed “Undertaking given by CEC Research Institute”, we, however, noted that CEC Research Institute has given an unconditional undertaking as further described below (the “Undertaking”). We are of the view that the terms of the Transfer Agreement; including the Undertaking, has factored into the potential risk of non-completion of the Transfer Agreement; and Huada Electronics has negotiated a discount on the Consideration to the estimated market value of the Property (as if completed) as at 31 October 2013.

Based on our view that (i) the valuation approach is commonly adopted and justifiable for valuing the Property; (ii) the Consideration (assuming range between approximately RMB296.4 million to approximately RMB326.0 million) represents a discount of approximately 21.0% to 13.1% to the estimated market value of the Property (as if completed) as at 31 October 2013; (iii) the risk of non-completion of the Transfer Agreement has been addressed by the Undertaking from CEC Research Institute (as mentioned above and see paragraph 2.4 below); and (iv) having considered the risk of non-completion of the Transfer Agreement and weighing such risks against the Undertaking and the abovementioned discount to the estimated market value of the Property (as if completed) as at 31 October 2013, we are of the view that the Consideration is fair and reasonable.

2.3 Payment terms

The Basic Consideration amount to approximately RMB296.4 million, equivalent to approximately HK\$377.0 million, is payable in cash. Specifically, the payment will be divided into three instalments:

- (1) a deposit of RMB50.0 million, equivalent to approximately HK\$63.6 million, has to be paid within five business days of the signing of the Transfer Agreement;
- (2) a payment of RMB123.2 million, equivalent to approximately HK\$156.7 million, has to be paid within five business days upon the Effective Date of the Transfer Agreement; and

LETTER FROM ALTUS CAPITAL

- (3) a final payment of RMB123.2 million, equivalent to approximately HK\$156.7 million, has to be paid within one month upon the Effective Date of the Transfer Agreement.

The Additional Consideration, which is the difference between the Basic Consideration and the total development cost determined within one month of the finalisation of the total development cost of the Property, will be settled in cash.

In the event that the total development cost of the Property exceeds 110.0% of the Basic Consideration, Huada Electronics shall terminate the Transfer Agreement and CEC Research Institute shall fully refund the Basic Consideration with interest to Huada Electronics. In return, Huada Electronics shall pay a rental of RMB78 per square meter per month to CEC Research Institute for occupying the Property during the relevant period.

The Consideration is to be satisfied in cash from internal resources from the Group. Based on our discussion with the management of the Group, it is noted that Huada Electronics will satisfy the Consideration with its cash and working capital resources. The undrawn borrowing facilities will only be used where necessary.

2.4 The Undertaking

As mentioned in paragraph 2.2 above, according to the legal opinion from the PRC legal adviser, it is noted that even though CEC Research Institute shall own the Land Use Right of the Project, it has yet to obtain the Certificate for the Use of State-owned Land. Given this, the Transfer Agreement has the potential risk of non-completion if CEC Research Institute cannot transfer the legal title of the Property to Huada Electronics within two years upon the Effective Date of the Transfer Agreement. Thus, to protect the interests of the Company, the Undertaking has been negotiated on an arm's length basis between Huada Electronics and CEC Research Institute.

The Undertaking, details of which are stated in the "Letter from the Board" of the Circular, states that in the event CEC Research Institute is not able to transfer the legal title of the Property free from any encumbrances and debts to Huada Electronics within two years upon the Effective Date of the Transfer Agreement, CEC Research Institute shall fully refund the Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Huada Electronics. Meanwhile, for having occupied the Property during the relevant period, Huada Electronics shall pay a rental calculated at the rate of RMB78 per square meter per month to CEC Research Institute.

LETTER FROM ALTUS CAPITAL

According to our discussion with DTZ, we understand that when arriving at their opinion that the rental rate of RMB78 per square meter per month represents a fair market rental, DTZ has compared it with the rental rates of similar properties in the same area as the Property is located. We are of the view that we have satisfied the work done required under Rule 13.80 of the Listing Rules and that we can rely on the information provided by DTZ. This rental rate of RMB78 per square meter per month is meanwhile lower than the existing rental paid for Huada Electronics' current office premise which is situated at a different location. According to the management of the Group, Huada Electronics is currently leasing its office and research and development ("R&D") facilities at rental rates of approximately RMB120 and RMB125 per square meter per month. Taking into account the above, we are of the view that the aforesaid rental rate of RMB78, if applicable, is favourable to the Group.

Given that CEC Research Institute is a wholly-owned subsidiary of CEC, which is a state-owned enterprise and a nationwide electronics and information technology conglomerate directly administered by the PRC Government, the Group therefore has no reason to doubt the ability of CEC Research Institute to fulfil its obligations under the Undertaking if necessary.

Based on our view that (i) the Company's interests are safeguarded under the Transfer Agreement by the Undertaking in the event that the completion of the acquisition of the Property Transfer Right cannot take place; and (ii) there is no reason to doubt the ability of CEC Research Institute to fulfil its obligations under the Undertaking if necessary, we are of the view that the Undertaking is on normal commercial terms and is fair and reasonable.

3. *Reasons for and benefits of the Transfer Agreement*

We understand from the Group's management that the Project is one of the priority projects that the PRC Government has determined to develop. By seizing the opportunity to acquire a property in a specialised location for the electronics industry, Huada Electronics will be able to better plan its business operations in the longer term. The acquisition of the Property Transfer Right is also more expedient compared to, for example, Huada Electronics acquiring a piece of land and constructing a property.

LETTER FROM ALTUS CAPITAL

Huada Electronics first leased its current office premise and R&D facilities in the northern part of Beijing's 5th Ring Road in 2009; and due to business expansion, Huada Electronics had in 2011 leased an additional office unit in a building next to its initial office premise. According to the management of the Group, the rental rate of Huada Electronics' initial office premise was about RMB90 per square meter per month in 2009 but the rental rates have subsequently increased and currently, the rental rates are at the levels of RMB120 per square meter per month. Rental rates for office premises in Beijing have continued to increase in the past years and Huada Electronics has faced difficulties looking for premises with relevant facilities, of desirable floor area and at reasonable rental rates to meet its operating requirements; which meanwhile have continued to increase as its businesses expanded. The current total floor space of approximately 6,800 square meters limits Huada Electronics' current operating needs and expansion plans. Therefore, Huada Electronics aims to have its own office and R&D facilities.

The Property, having a total gross floor area of approximately 22,798 square meters is expected to cater for the expansion needs of Huada Electronics in the long run; and located in a dedicated science park, possesses the infrastructure and facilities which are suitable for the electronics business nature of Huada Electronics. These will therefore provide it with a more conducive and productive working environment. Based on the above, the Directors believe and we concur that the Group's entering into of the Transfer Agreement to purchase the Property is justifiable and reasonable.

4. *Possible financial impact to the Group as a result of the Transfer Agreement*

4.1 *Net asset value and gearing*

The Group intends to satisfy the Consideration with its cash and working capital resources. Following the acquisition of the Property Transfer Right, the total assets and the net asset value of the Group are expected to remain unchanged as the increase in the non-current assets will be offset by the decrease in cash and cash equivalents of the Group. There will be no change in the gearing of the Group as no borrowing is expected to be incurred for the acquisition of the Property Transfer Right.

LETTER FROM ALTUS CAPITAL

4.2 Earnings

As a result of the transactions contemplated under the Transfer Agreement, the management of the Group expects that: (1) there will be depreciation charge calculated in accordance with the Group's accounting policy when the Property is completed and ready for its intended use; (2) there will be a reduction of interest income at rates offered by domestic commercial banks as the Group's cash balances decreased due to settlement of the Consideration; and (3) there will be saving of rental expenses as Huada Electronics will be able to occupy its own premises instead of leasing from the market.

We have discussed with the management of the Group and noted the following:

1. Assuming that Huada Electronics acquired the Property Transfer Right at the Consideration equivalent to 110.0% of the Basic Consideration (i.e. approximately RMB326.0 million (equivalent to approximately HK\$414.7 million)), the Group is expected to incur a depreciation charge for using the Property of approximately RMB10.8 million (equivalent to approximately HK\$13.7 million) per annum.
2. According to the management of the Group, the average interest rate being offered by domestic commercial banks for its deposits was approximately 3.0% per annum. On this basis, the Group's annual interest income is expected to reduce by approximately RMB9.8 million (equivalent to approximately HK\$12.5 million) due to the settlement of the Consideration using its cash resources (assuming that the Consideration is equivalent to 110.0% of the Basic Consideration).
3. Meanwhile, according to the management of the Group, Huada Electronics currently leases a total of approximately 6,800 square meters of floor space for its office and R&D facilities and incurs total rental expenses of approximately RMB9.9 million (equivalent to approximately HK\$12.6 million) per annum. As a result of the acquisition of the Property Transfer Right, the Group will be able to save on the aforesaid rental expenses. In addition, given that there will be remaining space unutilised at the Property, this can facilitate Huada Electronics' future business expansion without it having to incur further rental expenses.

LETTER FROM ALTUS CAPITAL

Although solely based on the above effects, the earnings of the Group may face a negative impact in the short term; we are of the view that the long term benefits for the Group as described in paragraph 3 above, in particular where the Property can facilitate Huada Electronics' operational and expansion needs, outweigh the above impact.

4.3 Working capital

Reference is made to the section headed "Financial Information" under Appendix I to the Circular where the Directors are of the opinion that, after taking into account the internal resources and borrowing facilities available to the Group, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this Circular.

On balance, we are of the view that the long term benefits of the Transfer Agreement outweigh the short term impact on its earnings. Shareholders should therefore take into account the reasons and long term benefits of the transactions contemplated under the Transfer Agreement.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Transfer Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Transfer Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

Financial information of the Group for each of the years ended 31 December 2010, 2011 and 2012 is disclosed on pages 32 to 106 of the annual report of the Company for the year ended 31 December 2010 published on 15 March 2011, pages 31 to 94 of the annual report of the Company for the year ended 31 December 2011 published on 13 March 2012 and pages 37 to 98 of the annual report of the Company for the year ended 31 December 2012 published on 7 March 2013, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cecholding.com).

2. INDEBTEDNESS**Borrowings**

As at 31 October 2013, being the latest practicable date for the purpose of this indebtedness statement, the Group had no borrowings outstanding.

Disclaimer

Apart from intra-group liabilities and normal trade payables, the Group did not have, at 31 October 2013, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the Group's available financial resources including internally generated funds and the available loan facilities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

The Company intends to satisfy the Consideration with its cash and working capital resources. Following the acquisition of the Property Transfer Right, the total assets and the net asset value of the Group are expected to remain unchanged as the increase in the non-current assets will be offset by the decrease in cash balances of the Group. In respect of the transactions contemplated under the Transfer Agreement, the Company is of the view that: (1) there will be depreciation charge calculated by allocating the cost of the Property to periods in which it is being used in accordance with the Group's accounting policy when the Property is completed and ready for its intended use; (2) there will be a reduction of interest income at rates offered by domestic commercial banks as the cash balances decreased due to settlement of the Consideration; (3) there will be saving of rental expenses as Huada Electronics will be able to occupy its own premises instead of renting from the market; and (4) surplus gross floor area of the Property not required for Huada Electronics' operation temporary (if any) will generate rental income at market rate.

5. FINANCIAL AND TRADING PROSPECT

For the six months ended 30 June 2013, unaudited revenue of the Group was HK\$728.3 million (2012: HK\$611.3 million) and unaudited profit attributable to owners of the Company was HK\$136.5 million (2012: HK\$113.9 million).

The Group entered into the Transfer Agreement to purchase the Property for the Group's use for the purposes of scientific research and office in long term in order to control the operating costs and enhance its business of integrated circuit design and development. The Board will continue to implement and review the established operation and investment strategies of the Group leveraging on the existing resources available, while seeking for other investment opportunities to improve the Group's profitability and bring positive return for the Shareholders.

Looking forward, on one hand, the Group will continue to persist in independent technology innovation, actively explore financial services and other new application businesses for smart cards as well as other aspects of chips design, capture the development opportunities in the integrated circuits design segment, and strive to maintain its leading position in the integrated circuits chips design sector.

On the other hand, the Group will strive to diversify its business. In July 2013, the Company entered into an equity transfer agreement with CEC to acquire the 100% equity interest in China Electronics Technology Development Co., Ltd. The acquisition is in the process of obtaining all necessary approvals. Upon successful completion of the acquisition, the Group will leverage on this opportunity gradually develop a series of comprehensive services, including industrial guidance, funding support, consultation services, technical support, livelihood services, etc., and expand and strengthen the electronic information technology industrial park service business in providing a better industrial development platform and environment for those domestic and foreign enterprises that are engaged in high-tech research and development, production and services businesses. In addition, in June 2013, the Company has entered into a strategic cooperation framework agreement with Beihai City People's Government of the PRC and CCB International (Holdings) Limited, for the construction of Beibu Gulf Eco-Wisdom Electronics City in Beihai City, Guangxi Province of the PRC as a modern production and service agglomeration complex. At present, the project is still under evaluation by the government authority, and in the event that the Group were able to participate in this project, the Group will also leverage on this opportunity to achieve its business diversification objective.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of estimated Market Value as if completed of the Property held by CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) in the PRC as at 31 October 2013.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

20 December 2013

The Board of Directors
China Electronics Corporation Holdings Company Limited
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: All the 6-storey and 118 car-parking spaces on basement one of Block C of phase one of The China Electronics Information Security Technology Research Institute (中國電子信息安全技術研究院), southern area of Future and Science Technology City (未來科技城), Beiqijia, Changping District, Beijing, the People's Republic of China

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instruction of China Electronics Corporation Holdings Company Limited (中國電子集團控股有限公司) (the "Company") for us to carry out the valuation of the estimated Market Value as if completed of the property ("Property") held by CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the estimated Market Value as if completed of the Property as at 31 October 2013 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTION

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property held by CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion of the Company’s legal adviser, EastBright Law Firm (北京市東易律師事務所) dated 20 December 2013, regarding the title to the Property and the interests in the Property. In valuing the Property, we have assumed that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

We have valued the Property, on the assumption that it will be completed according to the development scheme provided to us, by Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, particulars of occupancy, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuers, Chris Yang and Rika Liu have inspected the exterior and, wherever possible, the interior of the Property in October 2013. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report whether the Property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor (General Practice) who has over 20 years experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property held by CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) for development in the PRC

Property	Description and tenure	Particulars of occupancy	Estimated Market Value as if completed as at 31 October 2013
All the 6-storey and 118 car-parking spaces on basement one of Block C of phase one of The China Electronics Information Security Technology Research Institute (中國電子信息安全技術研究院), southern area of Future and Science Technology City (未來科技城), Beiqijia, Changping District, Beijing, the PRC	The China Electronics Information Security Technology Research Institute (中國電子信息安全技術研究院) (the "Project") is designated for education and scientific research facilities uses, which is located in the southern area of Future and Science Technology City (未來科技城), Beiqijia, Changping District, Beijing, the PRC. The Project occupies a site area of approximately 351 mu (234,000 square meters). The Project is divided into two phases of construction. The total gross floor area of phase one of the Project is approximately 160,367 square meters and comprises of four 6-storey blocks (Block A, B, C and D) plus two levels of basement. According to the information provided by the Company, the Property will comprise all the 6-storey of Block C of phase one of the Project, with a total gross floor area of approximately 22,798 square meters, and 118 car-parking spaces on basement one of Block C. The Property is located within a Science Technology Zone in Changping District of Beijing. Developments nearby are mainly office development for research use. According to the information provided by the Company, the Property is planned to be used as R&D facilities and office building; there is no environmental issues and litigation dispute; there is no plan for renovation or change of use of the Property in near future. The Land Use Right Transfer Contract has been signed; however, the Certificate for the Use of State-owned Land of the Project has not been issued.	It was noted that the building of the Property has been structurally completed and satisfies the conditions for entry to carry out secondary interior refined decoration. CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) guarantees that, on or before 31 December 2013, all municipal infrastructure facilities of the Property will be completed; thus, enabling CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) to move into the Property on such date.	RMB375,300,000

Notes:

- (1) According to the Transfer Agreement dated 1 November 2013 between CEC Information Technology Research Institute Co., Ltd (中電信技術研究院有限公司) ("Party A") and CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) ("Party B"), a wholly-owned subsidiary of the Company:

Consideration: The Consideration will consist of Basic Consideration and Additional Consideration.

Basic Consideration: RMB296,374,000.

Payment Terms:

- (1) a deposit of RMB50,000,000, payable within five business days of the signing of the Transfer Agreement;
- (2) 50% of the balance of the Basic Consideration after deducting the deposit, payable within five business days upon the Effective Date of the Transfer Agreement; and
- (3) the balance of the Basic Consideration, payable within one month upon the Effective Date of the Transfer Agreement.

Additional Consideration: Within one month of the finalisation of the total development cost of the Property, Party A and Party B will settle the Additional Consideration in cash as follows:

- (1) if the total development cost of the Property is less than the Basic Consideration, Party A shall refund the difference to Party B; or
- (2) if the total development cost of the Property is higher than the Basic Consideration but lower than 110% of the Basic Consideration, Party B shall pay the difference to Party A; or
- (3) if the total development cost of the Property is higher than 110% of the Basic Consideration, Party B shall be entitled to terminate the Transfer Agreement. Party A unconditionally undertakes and agrees to fully refund the Basic Consideration, together with the interest calculated in accordance with the prevailing benchmark deposit rate of Renminbi, to Party B, whereas Party B shall also pay a rental calculated at RMB78 per square meter per month, for using the Property during the relevant period, to Party A.

- (2) According to Business Licence No. 110114014660558 dated 23 May 2013, CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) was established as a limited company with a registered capital of RMB410,000,000 for a valid operation period from 23 February 2012 to 22 February 2042.
- (3) According to the PRC legal opinion:
- (i) The terms and conditions of the Transfer Agreement signed between CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) and CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) comply with the PRC laws, which will not result in the Transfer Agreement becoming not effective;
- (ii) CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) and Beijing Municipal Bureau of Land and Resources, the PRC (中華人民共和國北京市國土資源局) have entered into a land use right transfer contract, pursuant to which CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) shall own the land use right of the Project and shall be entitled to allow CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) to use the Property including the land occupied by the Property subject to the provisions of the relevant PRC laws and regulations. CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) will be able to transfer the legal title of the Property to CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) upon the issue of the relevant certificates by the PRC government; and
- (iii) CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) has fully settled the land grant fee; CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) needs to further apply for the Certificate for the Use of State-owned Land, Building Ownership Certificate and other procedures according to the relevant PRC laws.
- (4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Certificate for the Use of State-owned Land	No
Land Use Right Transfer Contract	Yes
Building Ownership Certificate	No
Transfer Agreement	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Mr. Rui Xiaowu, the Chairman of the Company and a non-executive Director, is the chairman of CEC and a director of China Electronics Corporation (BVI) Holdings Company Limited (“CEC (BVI)”). Mr. Liu Hongzhou, an executive Director and the Vice Chairman of the Company, is a director of CEC (BVI). Mr. Xie Qinghua, the Managing Director of the Company and an executive Director, is also a director of CEC (BVI). Mr. Liu Jinping, an executive Director, is the general manager of China Huada. Details of the shareholding of CEC, CEC (BVI) and China Huada in the Company are set out in the paragraph headed “Substantial Shareholders” in this Appendix. Save as disclosed herein, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Number or attributable number of shares interest	Approximate percentage or attributable percentage of total issued share capital of the Company
CEC (BVI)	812,500,000	48.03%
China Huada (<i>Note 1</i>)	393,680,000	23.27%
CEC (<i>Notes 1 and 2</i>)	1,206,180,000	71.30%
SDIC High-Tech Investment Co., Ltd (<i>Note 1</i>)	393,680,000	23.27%
The State Development and Investment Corporation (<i>Note 1</i>)	393,680,000	23.27%

All the interests disclosed above represent long position in the shares of the Company.

Notes:

- (1) The equity interest of China Huada is contributed as to 50% by CEC and as to 50% by SDIC High-Tech Investment Co., Ltd. SDIC High-Tech Investment Co., Ltd is a wholly-owned subsidiary of The State Development and Investment Corporation, which is a state-owned investment holding company established under the laws of the PRC. By virtue of the SFO, CEC, SDIC High-Tech Investment Co., Ltd and The State Development and Investment Corporation are deemed to be interested in the 393,680,000 shares of the Company held by China Huada.
- (2) CEC holds 100% interest in CEC (BVI) and is deemed to be interested in the shares of the Company held by CEC (BVI).

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advices and/or reports are contained in this circular:

Name	Qualification
Altus Capital	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
DTZ	Property valuer
EastBright Law Firm	PRC legal adviser

Each of Altus Capital, DTZ and EastBright Law Firm (collectively the “Experts”) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of, where applicable, its letter(s) of advices and/or report(s) and references to its name in the form and context in which they respectively appear.

Each of the Experts was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date.

Since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, none of the Experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTEREST

Mr. Rui Xiaowu, the Chairman of the Company and a non-executive Director, is the chairman of CEC. Mr. Liu Jinping, an executive Director, is the general manager of China Huada and the chairman of Nationz Technologies Inc.

Currently, the abovementioned companies are engaging in, or having subsidiaries or associates engaging in, integrated circuits related businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

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

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

- (a) the 2013-2016 business services agreement dated 7 May 2013 and entered into between CEC and the Company, the details of which can be referred to in the announcement of the Company dated 7 May 2013;
- (b) the 2013-2016 comprehensive financial services agreement dated 7 May 2013 and entered into between the Company and China Electronics Financial Co., Ltd (“CEC Finance”), the details of which can be referred to in the announcement of the Company dated 7 May 2013;
- (c) the agreement dated 5 July 2013 and entered into between the Company and CEC in respect of the acquisition of the 100% equity interest in China Electronics Technology Development Co., Ltd (“CEC Technology”), the details of which can be referred to in the announcement of the Company dated 7 July 2013;
- (d) the equity transfer agreement dated 24 April 2013 and entered into between CEC Technology and China National Software & Service Co., Ltd (“ChinaSoft”), pursuant to which CEC Technology agreed to acquire and ChinaSoft agreed to sell 12.99% equity interest in China Electronics Xi’an Industrial Park Development Co., Ltd (“CEC Xi’an”) at a consideration of RMB18 million;
- (e) the equity transfer agreement dated 31 July 2013 and entered into between CEC Technology and The 6th Research Institute of China Electronics Corporation Limited (“6th Research Institute”), pursuant to which CEC Technology agreed to acquire and 6th Research Institute agreed to sell 25.97% equity interest in CEC Xi’an at a consideration of RMB36 million;
- (f) the CEC Technology financial services agreement dated 11 October 2013 and entered into between CEC Technology and CEC Finance, the details of which can be referred to in the announcement of the Company dated 7 July 2013; and
- (g) the Transfer Agreement.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ng Kui Kwan. Mr. Ng is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (c) Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Room 3403, 34th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to the holding of the SGM:

- (a) the bye-laws of the Company;
- (b) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (d) the letter from Altus Capital, the text of which is set out on pages 18 to 31 of this circular;
- (e) the property valuation report prepared by DTZ, the text of which are set out in Appendix II to this circular;
- (f) the written consents as referred to under the paragraph headed “Experts and Consents” in this appendix;
- (g) the annual reports of the Company for the financial years ended 31 December 2011 and 2012;
- (h) this circular;
- (i) the circular dated 28 May 2013 in respect of (1) major transaction and continuing connected transactions; and (2) proposed reduction of share premium and payment of special dividend; and
- (j) the circular dated 28 August 2013 in respect of (1) major transaction and connected transaction in relation to the acquisition of 100% equity interest in CEC Technology; and (2) major transaction and continuing connected transactions CEC Technology financial services agreement with CEC Finance.

NOTICE OF SGM



CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

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

(Stock Code: 00085)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “Meeting”) of China Electronics Corporation Holdings Company Limited (the “Company”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 10 January 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

1. **“THAT** the conditional transfer agreement dated 1 November 2013 and entered into between CEC Huada Electronic Design Co., Ltd (北京中電華大電子設計有限責任公司) as purchaser and CEC Information Technology Research Institute Co., Ltd (中電信息技術研究院有限公司) as vendor (the “Transfer Agreement”, details of which are set out in the circular of the Company dated 20 December 2013), in respect of the acquisition of the property transfer right, be and is hereby approved, and any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company which he considers necessary or expedient to give effect to the Transfer Agreement and the transactions contemplated thereunder.”
2. **“THAT** Mr. Liu Hongzhou be re-elected as a director.”

By Order of the Board

China Electronics Corporation Holdings Company Limited

Ng Kui Kwan

Company Secretary

Hong Kong, 20 December 2013

* For identification purpose only

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business

in Hong Kong:
Room 3403, 34th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from 8 January 2014 to 10 January 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the Meeting, all share certificates with completed transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 January 2014.
2. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a shareholder of the Company but must be present in person at the Meeting to represent the shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof, should he so wish.
4. In the case of joint registered holders of any shares, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect thereof.