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CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

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

(Stock Code: 0085)

**CONTINUING CONNECTED TRANSACTION
DEPOSIT SERVICES AGREEMENT WITH CEC FINANCE**

The Directors announce that Sang Fei, a subsidiary of the Company, and CEC Finance entered into the Deposit Services Agreement on 20 September 2007, pursuant to which Sang Fei will utilise the deposit services offered by CEC Finance.

Since CEC Finance is a subsidiary of CEC (the ultimate controlling shareholder of the Company), CEC Finance is a connected person of the Company and the transaction contemplated under the Deposit Services Agreement constitutes continuing connected transaction of the Company.

As each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) applicable to the Deposit Services Agreement is less than the 2.5% threshold under Rule 14A.34 of the Listing Rules, the Continuing Connected Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Continuing Connected Transaction will be disclosed in the Company's annual report for the 2007 financial year.

DEPOSIT SERVICES AGREEMENT

Date : 20 September 2007

Parties : (i) Sang Fei
(ii) CEC Finance

Pursuant to the Deposit Services Agreement, CEC Finance will provide deposit services to Sang Fei and Sang Fei will utilise such deposit services on a non-exclusive basis.

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

The interest rates for Sang Fei's deposits with CEC Finance shall be the standard rates promulgated by PBOC for the same type of deposits. Such interest rates will not be less than the rates offered to Sang Fei by normal commercial banks in the PRC for comparable deposits.

The Deposit Services Agreement shall be for an initial term of three years commencing from the date of agreement. Upon expiry of the initial term of the Deposit Services Agreement, the agreement may be renewed for further terms of three years automatically unless either party objects by giving a written notice at least one month prior to the expiry of the Deposit Services Agreement.

PROPOSED CAP

The Company proposed that for the period commencing from the effective date of the Deposit Services Agreement until 31 December 2009, the maximum balance of deposits (including the interests accrued thereon) maintained by the Group with CEC Finance shall not exceed RMB 30 million on any given day.

The above proposed cap represents approximately 8% of the Group's total deposits placed with all financial institutions as of 30 June 2007.

In determining the above proposed cap, the Company has taken into account the cashflow position of Sang Fei and the treasury policy of the Group.

REASONS FOR ENTERING INTO THE DEPOSIT SERVICES AGREEMENT

CEC Finance is a non-bank financial institution approved and regulated by the PBOC and CBRC. CEC Finance is a subsidiary of CEC and was established for the purpose of enhancing the centralised management of funds among members of the CEC Group and for improving the fund utilisation efficiency of the CEC Group as a whole. CEC Finance is permitted to provide various financial services such as deposit services, finance leasing, loan services, investment services, to members of the CEC Group.

The main reasons and advantages for utilising the deposit services provided by CEC Finance are as follows:

- (i) The interest rates on deposits offered by CEC Finance to Sang Fei will be no less than those offered by other independent PRC commercial banks.
- (ii) CEC Finance is regulated by PBOC and CBRC and provides its services in accordance and in compliance with the rules and operational requirements of these regulatory authorities.
- (iii) The Group is expected to benefit from CEC Finance's better understanding of the operations of the Group which would allow expedient and efficient service provision. The Group also expects that as an intra-group service provider, CEC Finance will generally have a better and more efficient communication with the Group compared with other independent commercial banks.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transaction under the Deposit Services Agreement will be conducted on normal commercial terms, or on terms no less favourable than those available to independent third parties under the prevailing market conditions, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its shareholders as a whole and that the terms of the Deposit Services Agreement and the proposed cap in respect of the maximum daily balance of deposits (including the interests accrued thereon) are fair and reasonable.

LISTING RULES IMPLICATIONS

Sang Fei is a subsidiary of the Company. Since CEC Finance is a subsidiary of CEC (the ultimate controlling shareholder of the Company), CEC Finance is a connected person of the Company and the transaction contemplated under the Deposit Services Agreement constitutes continuing connected transaction of the Company.

As each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services is less than the 2.5% threshold under Rule 14A.34 of the Listing Rules, the Continuing Connected Transaction is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Continuing Connected Transaction will be disclosed in the Company's annual report for the 2007 financial year.

GENERAL INFORMATION

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

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 Finance is a subsidiary of CEC and is a non-bank financial institution approved and regulated by the PBOC and CBRC. CEC Finance was established for the purpose of enhancing the centralised management of funds among the members of the CEC Group and for improving the fund utilisation efficiency of the CEC Group as a whole.

DEFINITIONS

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

"CBRC"	China Banking Regulatory Commission
"CEC"	中國電子信息產業集團公司 (China Electronics Corporation), a state-owned enterprise established under the laws of the PRC and the ultimate controlling shareholder of the Company
"CEC Finance"	中國電子財務有限責任公司 (China Electronics Finance Company Limited)
"CEC Group"	CEC and its subsidiaries
"Company"	China Electronics Corporation Holdings Company Limited
"connected person"	has the meaning ascribed to this term under the Listing Rules
"Continuing Connected Transaction"	the transaction contemplated under the Deposit Services Agreement

“Deposit Services Agreement”	the deposit services agreement dated 20 September 2007 and entered into between Sang Fei and CEC Finance
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sang Fei”	深圳桑菲消費通信有限公司 (Shenzhen Sang Fei Consumer Communications Company Limited), a sino-foreign equity joint venture company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 20 September 2007

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

** For identification purpose only*