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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

The Directors announce that the Maintenance Services Agreement has been renewed automatically in accordance with its terms and Sang Fei will continue to provide mobile handsets maintenance services to Philips China under the Maintenance Services Agreement.

Since Philips China is a member of the Philips Group and members of the Philips Group currently hold 25% interest in Sang Fei, Philips China is a connected person of the Company before completion of the Acquisition and the transaction contemplated under the renewed Maintenance Services Agreement constitutes continuing connected transaction of the Company.

As the expected consideration receivable by the Group under the renewed Maintenance Services Agreement will not exceed 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.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of Company dated 25 January 2006 and the circular of the Company dated 16 February 2006 where the Company announced that Sang Fei had entered into the Maintenance Services Agreement with Philips China.

Pursuant to the Maintenance Services Agreement, Sang Fei provides mobile handsets maintenance services to Philips China. The Maintenance Services Agreement is for an initial term of one year commencing from 1 January 2006 and may be extended for another one year unless either party objects. The Maintenance Services Agreement has been renewed automatically in accordance with its terms and Sang Fei will continue to provide mobile handsets maintenance services to Philips China under the Maintenance Services Agreement.

Pursuant to the Maintenance Services Agreement, Sang Fei will provide mobile handsets maintenance services to Philips China. Sang Fei will charge the mobile handsets maintenance fees at a pre-agreed price per unit. Such pre-agreed price will comprise material costs, labour costs, other related costs (including but not limited to transportation costs and logistics costs) and Sang Fei's service charge. The pre-agreed price is determined after arm's length negotiations between the parties with reference to the estimated costs to be incurred by Sang Fei for the provision of maintenance services plus a service charge which is determined in accordance with market rates. Such pricing terms are the same as those currently adopted by the parties.

On 12 February 2007, CEC announced that it had entered into the Acquisition Agreement with Royal Philips Electronics. Pursuant to the Acquisition Agreement, CEC agreed to acquire the mobile handsets business of the Philips Group. As part of the Acquisition, CEC agreed to acquire the 25% equity interest in Sang Fei currently held by members of the Philips Group. The Acquisition is subject to all necessary shareholders, government and regulatory approvals and consents. The parties expect completion of the Acquisition to take place in end of March 2007.

After the completion of the Acquisition, the Philips Group will cease to be a connected person of the Company, and hence, the existing transactions between members of the Group and members of the Philips Group (including but not limited to the Continuing Connected Transaction) will no longer be continuing connected transactions of the Company upon completion of the Acquisition.

Upon the completion of the Acquisition, it is expected that the amount of consideration receivable by Sang Fei from Philips China under the renewed Maintenance Services Agreement will not exceed RMB25 million. Accordingly, this amount has been set as the cap for the renewed Maintenance Services Agreement.

The historical figure and the annual cap of the Continuing Connected Transaction for the financial year ended 31 December 2006 are RMB55 million and RMB60 million, respectively.

In arriving at the above cap, the Company has made reference to the historical amount of service fees received by the Group under the Maintenance Services Agreement. Since the typical warranty period of *Philips* mobile handsets is 12 months, the Company has also taken into account the sales volume of *Philips* handsets over the last 12 months when determining the cap for the renewed Maintenance Services Agreement. The Company has also taken into account the expected completion date of the Acquisition when determining the cap of the renewed Maintenance Services Agreement. As such, the cap of the renewed Maintenance Services Agreement is less than the historical figure and the annual cap of the Maintenance Services Agreement for the year ended 31 December 2006.

REASONS FOR THE CONTINUING CONNECTED TRANSACTION

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 in the PRC. The Maintenance Services Agreement has provided the Group with a proven and stable source of revenue and the renewal of the Maintenance Services Agreement will enable the Group to continue to generate a steady income stream.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Continuing Connected Transaction have been entered into, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Since Philips China is a member of the Philips Group and members of the Philips Group currently hold 25% interest in Sang Fei, Philips China is a connected person of the Company before completion of the Acquisition and the transaction contemplated under the renewed Maintenance Services Agreement constitutes continuing connected transaction of the Company.

As the expected consideration receivable by the Group under the renewed Maintenance Services Agreement will not exceed 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 years.

GENERAL INFORMATION

The Company is an investment holding company. Its principal operating subsidiary, Sang Fei, is primarily engaged in the manufacturing and sales of mobile handsets and other portable electronics products in the PRC. Philips China is a member of the Philips Group and the Philips Group is one of the world's largest electronics companies and considers itself to be one of the global leaders in colour television sets, lighting, electric shavers, medical diagnostic and patient monitoring and one-chip TV products.

DEFINITIONS

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

“Acquisition”	the acquisition by CEC of the mobile handsets business of Royal Philips Electronics
“Acquisition Agreement”	the acquisition agreement dated 12 February 2007 and entered into CEC and Royal Philips Electronics
“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, and its affiliated companies (excluding the Company 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 renewed Maintenance Services Agreement
“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
“Maintenance Services Agreement”	the Maintenance Services Agreement dated 21 January 2006 and entered into between Sang Fei and Philips China
“Philips China”	Philips (China) Investment Company Limited, a member of the Philips Group
“Philips Group”	Koninklijke Philips Electronics N.V. and its affiliated companies and subsidiaries
“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
Yam Pui Hung Robert
Company Secretary

Hong Kong, 5 March 2007

** For identification purpose only*

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

“Please also refer to the published version of this announcement in The Standard”