

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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)

**CONTINUING CONNECTED TRANSACTIONS:
MASTER PROPERTY MANAGEMENT AGREEMENT
AND
MASTER LEASE AGREEMENT**

The Company announces that on 24 November 2014 (after trading hours):

- (i) the Company and CEC Rida entered into the Master Property Management Agreement, pursuant to which CEC Rida Group shall from time to time provide property management services to the Group for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 (both dates inclusive); and
- (ii) the Company and CEC entered into the Master Lease Agreement, pursuant to which the Group shall from time to time lease properties located within the PRC and owned by the Group to the CEC Group for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 (both dates inclusive).

As at the date of this announcement, CEC Rida is a subsidiary of CEC and CEC is the ultimate controlling shareholder of the Company. Accordingly, each of CEC and CEC Rida is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under each of the Master Property Management Agreement and the Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* *For identification purpose only*

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Master Property Management Agreement are higher than 0.1% but all of which are less than 5%, the Master Property Management Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Master Lease Agreement are higher than 0.1% but all of which are less than 5%, the Master Lease Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION AND BACKGROUND

Reference is made to the announcement of the Company dated 7 July 2013 in relation to, among others, the background and details of (i) the acquisition of CEC Technology by the Group; and (ii) the continuing connected transactions on the part of the Company in relation to the CEC Beihai Property Management Agreement and the transactions contemplated thereunder.

The CEC Technology acquisition was completed on 26 June 2014. The principal activities of CEC Technology and its subsidiaries and associate are the development and management of industrial parks in the PRC which provides a platform for industry players to develop electronic information technology business. At present, the Group is engaged in the development and management of the Hainan Resort Software Community (海南生態軟件園) ("Hainan RSC"), CEC Xi'an Industrial Park (中國電子西安產業園) ("Xi'an Industrial Park"), and CEC Beihai Industrial Park (中國電子北海產業園) ("Beihai Industrial Park"). Hainan RSC is situated in Haikou, Hainan, with a planned total site area of 3,000 Mu. Xi'an Industrial Park is situated in Xi'an, Shaanxi and occupies a site area of 470 Mu. Beihai Industrial Park is situated in Beihai, Guangxi, with a planned total site area of 3,000 Mu. In addition, CEC Beihai has been actively negotiating with the People's Government of Beihai on the joint development and construction of Beibu Gulf Eco-Wisdom Electronics City (北部灣智慧生態電子城) and CEC Beihai is in discussion with the local government in respect of the site selection for the start-up zone, etc. of this 4,500 Mu project. In addition, on 1 February 2013, CEC Beihai and CEC Rida had entered into the CEC Beihai Property

Management Agreement in respect of the provision of property management services by CEC Rida to CEC Beihai. The CEC Beihai Property Management Agreement took effect from 1 February 2013 and will expire on 31 December 2016.

The industrial parks developed by the Group are to be completed in phases. In light of the future development plan of the industrial parks and the estimated completion time of the development of various phases of the industrial parks and taking into consideration of the expected needs of the Group and the CEC Group, after arm's length negotiations, the Master Property Management Agreement and the Master Lease Agreement were entered into on 24 November 2014, with a view to govern the terms of property management services provided by the CEC Rida Group for a term of three years commencing from 1 January 2015 and the terms of leasing the properties located within the PRC and owned by the Group to the CEC Group for a term of three years commencing from 1 January 2015, respectively.

MASTER PROPERTY MANAGEMENT AGREEMENT

The principal terms of the Master Property Management Agreement are as follows:

Date: 24 November 2014 (after trading hours)

Parties: (1) the Company

(2) CEC Rida

Pursuant to the Master Property Management Agreement, the CEC Rida Group shall from time to time provide property management services within the public areas in the industrial parks and the areas in the industrial parks retained by the Group for its own use (the "Designated Areas"), which includes the areas covered by the CEC Beihai Property Management Agreement, during the term of the Master Property Management Agreement. The major scope of services provided under the Master Property Management Agreement includes but is not limited to:

(1) day to day maintenance and management of the Designated Areas;

(2) maintenance and management of common facilities in the Designated Areas; and

- (3) other services to the resident enterprises and their employees in the industrial parks of the Group.

Pursuant to the Master Property Management Agreement, the property management fee payable by the Group and chargeable by the CEC Rida Group shall be subject to the provisions of the Master Property Management Agreement and the rate as set out in the supplemental agreement(s) to be entered into between members of the Group and members of the CEC Rida Group, which shall be on normal commercial terms and shall be on terms no less favourable than terms available to independent third parties, and the amount of property management fee payable shall be determined with reference to the prevailing market rate for similar property management services on premises of comparable in location, area and permitted uses, or confirmed by independent valuer as to the fairness and reasonableness of the property management fee payable (when necessary).

The Master Property Management Agreement is not exclusive and would not create any obligation on the part of the Group to utilise any particular services of the CEC Rida Group.

Subject to the requirements of the Listing Rules, the Master Property Management Agreement shall be for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 (both days inclusive) and may be renewable thereafter subject to compliance with the Listing Rules.

The terms of the Master Property Management Agreement were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) are of the view that the pricing mechanism of the property management fee contemplated under the Master Property Management Agreement is in line with industry practice, and the basis of determination is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Annual caps

It is expected that for each of the year ending 31 December 2015, 2016 and 2017, the maximum annual aggregate property management fee payable by the Group will not exceed the following respective amounts and such amounts have been set as the annual caps for the continuing connected transactions contemplated under the Master Property Management Agreement.

	Annual cap for the year ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Property management fee payable by the Group	7,000	18,000	24,000

Note: Pursuant to the CEC Beihai Property Management Agreement, the annual cap for the property management fee payable by CEC Beihai to CEC Rida for the year ending 31 December 2014 is RMB2,300,000. The Company confirmed that the actual property management fee paid by CEC Beihai to CEC Rida for the period from 26 June 2014 to 30 September 2014 had not exceeded the relevant annual cap.

The annual cap for each of the year ending 31 December 2015, 2016 and 2017 are determined based on (i) the anticipated demand for the property management services by the Group based on the future development plan of the industrial parks and the estimated completion time of the development of the Designated Areas; and (ii) the current property management fee payable by the Group under the CEC Beihai Property Management Agreement or the prevailing market rate for similar property management services on premises of comparable in location, area and permitted uses, assuming no change in rates during the term of the Master Property Management Agreement.

MASTER LEASE AGREEMENT

The principal terms of the Master Lease Agreement are as follows:

Date: 24 November 2014 (after trading hours)

Parties: (1) the Company
(2) CEC

Pursuant to the Master Lease Agreement, the Group shall from time to time lease properties located within the PRC and owned by the Group to the CEC Group during the term of the Master Lease Agreement.

Pursuant to the Master Lease Agreement, the rental chargeable by the Group and payable by the CEC Group shall be subject to the provisions of the Master Lease Agreement and the rate as set out in the supplemental agreement(s) to be entered into between members of the Group and members of the CEC Group, which shall be on normal commercial terms and shall be on terms no less favourable than terms available to the Group from independent third parties, and the rental payable by the CEC Group shall be determined with reference to the prevailing market rental on premises of comparable in location, area and permitted uses, or confirmed by independent valuer as to the fairness and reasonableness of the rental payable (when necessary). The consideration receivable by the Group under the Master Lease Agreement shall be payable in cash.

The Master Lease Agreement is not exclusive and the Group shall have the absolute discretion to determine whether to lease the relevant properties to the CEC Group or not and the Master Lease Agreement shall not restrict or limit the Group to lease the relevant properties to any third parties.

Subject to the requirements of the Listing Rules, the Master Lease Agreement shall be for a term of three years commencing from 1 January 2015 and ending on 31 December 2017 (both days inclusive) and may be renewable thereafter subject to compliance with the Listing Rules.

The terms of the Master Lease Agreement were arrived at after arm's length negotiations between the relevant parties. The Directors (including the independent non-executive Directors) are of the view that the pricing mechanism of the rental payable by the CEC Group contemplated under the Master Lease Agreement is fair and reasonable, on normal commercial terms, and in the interests of the Company and the shareholders of the Company as a whole.

Annual caps

It is expected that for each of the year ending 31 December 2015, 2016 and 2017, the maximum annual aggregate rental receivable by the Group from the CEC Group will not exceed the following respective amounts and such amounts have been set as the annual caps for the continuing connected transactions contemplated under the Master Lease Agreement.

	Annual cap for the year ending 31 December		
	2015	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Rental receivable by the Group	6,000	28,000	47,000

The annual cap for each of the year ending 31 December 2015, 2016 and 2017 are determined based on (i) the anticipated demand for the premises within the industrial parks owned by the Group for leasing purpose based on the estimated completion time of various phases of development of the industrial parks of the Group; and (ii) the current pricing for similar leasing of the Group's properties or the prevailing market pricing for similar leasing of comparable in location, area and permitted uses, assuming no change in pricing during the term of the Master Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER PROPERTY MANAGEMENT AGREEMENT AND THE MASTER LEASE AGREEMENT

CEC Rida is engaged in property management in the PRC and has received various recognitions in the field. The CEC Rida Group is familiar in the operation of the Group's industrial park through its previous services. CEC Beihai has entered into the CEC Beihai Property Management Agreement with CEC Rida in 2013. The Directors are of the view that the property management services provided by the CEC Rida Group have been efficient, of high quality and at competitive prices. As such, the Directors consider that the CEC Rida Group as a quality property management services provider of the Group and it is in the interest of the Group to continue to engage the CEC Rida Group to provide property management services for the various phases of the industrial parks developed and to be developed by the Group.

Having considered the various phases of the industrial parks to be developed by the Group over the next few years and that CEC is one of the key state-owned nationwide electronics and information technology conglomerates focusing on communications, consumer electronics, semi-conductor and software sectors in the PRC, the Directors consider that the entering into the Master Lease Agreement can attract similar and ancillary information technology enterprises in the industry to set up operations within the industrial parks of the Group.

In addition, the Directors consider that the entering into the Master Property Management Agreement and the Master Lease Agreement can set out a framework for and streamline these continuing connected transactions between members of the Group and members of the CEC Group.

Having considered the aforesaid factors, the Directors (including the independent non-executive Directors) are of the view that each of the Master Property Management Agreement and the Master Lease Agreement and the annual caps of the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary course of business of the Group and in the interests of the Company and the shareholders of the Company as a whole.

GENERAL INFORMATION

(a) Information on the Group

The Group is principally engaged in the design and sales of integrated circuits chips, and the development and management of electronic information technology industrial parks.

(b) 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 actively focuses on communications, consumer electronics, semi-conductor and software sectors in the PRC. CEC is interested in approximately 59.42% of the issued share capital of the Company.

(c) Information on CEC Rida

CEC Rida is principally engaged in property management in the PRC and provides various property management services to CEC Beihai under the CEC Beihai Property Management Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CEC Rida is a subsidiary of CEC and CEC is the ultimate controlling shareholder of the Company. Accordingly, each of CEC and CEC Rida is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under each of the Master Property Management Agreement and the Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Master Property Management Agreement are higher than 0.1% but all of which are less than 5%, the Master Property Management Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Master Lease Agreement are higher than 0.1% but all of which are less than 5%, the Master Lease Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

DEFINITIONS

Unless the context requires otherwise, the terms used in this announcement shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules
“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 Beihai”	China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“CEC Beihai Property Management Agreement”	the property management agreement dated 1 February 2013 between CEC Beihai and CEC Rida in respect of property management services provided by CEC Rida to CEC Beihai

“CEC Group”	CEC and its subsidiaries and associates (other than the Group)
“CEC Rida”	CEC Rida Property Management Co., Ltd (北京中電瑞達物業有限公司), a company established under the laws of the PRC and a subsidiary of CEC
“CEC Rida Group”	CEC Rida and its subsidiaries
“CEC Technology”	China Electronics Technology Development Co., Ltd (中國電子科技開發有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“Company”	China Electronics Corporation Holdings Company Limited
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Lease Agreement”	the agreement dated 24 November 2014 entered into between the Company and CEC in respect of the leasing arrangements between the Group as landlord and the CEC Group as tenant
“Master Property Management Agreement”	the agreement dated 24 November 2014 entered into between the Company and CEC Rida in relation to the provision of property management services by the CEC Rida Group to the Group

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference only, the names of PRC established companies and entities have been included in this announcement in both Chinese and English and the English names of these companies and entities are either English translations of their respective official Chinese names or English 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.

By order of the Board
China Electronics Corporation Holdings Company Limited
Rui Xiaowu
Chairman

Hong Kong, 24 November 2014

As at the date of this announcement, the Board comprises one Non-executive Director, namely Mr. Rui Xiaowu (Chairman), three Executive Directors, namely Mr. Liu Hongzhou (Vice Chairman), Mr. Xie Qinghua (Managing Director) and Mr. Liu Jinping, and two Independent Non-executive Directors, namely Mr. Chan Kay Cheung and Mr. Qiu Hongsheng.