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CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED

中國電子華大科技有限公司

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

(Stock Code: 00085)

**CONTINUING CONNECTED TRANSACTIONS:
2018 MASTER PROPERTY MANAGEMENT AGREEMENT AND
2018 MASTER LEASE AGREEMENTS**

The Board announces that on 19 December 2017 (after trading hours):

- (i) the Company and CEC Rida entered into the 2018 Master Property Management Agreement, pursuant to which the 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 2018 and ending on 31 December 2020 (both dates inclusive);
- (ii) the Company and CEC entered into the 2018 First 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 2018 and ending on 31 December 2020 (both dates inclusive); and
- (iii) the Company and CEC entered into the 2018 Second Master Lease Agreement, pursuant to which the Group shall from time to time rent properties located within the PRC and owned by the CEC Group from the CEC Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 (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 the Listing Rules, and the transactions contemplated under the 2018 Master Property Management Agreement and the 2018 Master Lease Agreements 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 Rule 14.07 of the Listing Rules) in respect of the 2018 Master Property Management Agreement, the 2018 First Master Lease Agreement and the 2018 Second Master Lease Agreement are higher than 0.1% but all of which are less than 5% and each has an annual cap consideration of more than HK\$3,000,000, the entering into the 2018 Master Property Management Agreement, the 2018 First Master Lease Agreement, the 2018 Second 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 circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that on 19 December 2017 (after trading hours):

- (i) the Company and CEC Rida entered into the 2018 Master Property Management Agreement, pursuant to which the 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 2018 and ending on 31 December 2020 (both dates inclusive);
- (ii) the Company and CEC entered into the 2018 First 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 2018 and ending on 31 December 2020 (both dates inclusive); and
- (iii) the Company and CEC entered into the 2018 Second Master Lease Agreement, pursuant to which the Group shall from time to time rent properties located within the PRC and owned by the CEC Group from the CEC Group for a term of three years commencing from 1 January 2018 and ending on 31 December 2020 (both dates inclusive).

2018 MASTER PROPERTY MANAGEMENT AGREEMENT

The principal terms of the 2018 Master Property Management Agreement are as follows:

- Date:** 19 December 2017 (after trading hours)
- Parties:**
- (1) the Company
 - (2) CEC Rida
- Term:** 1 January 2018 to 31 December 2020 (both dates inclusive)

Transaction nature:

Pursuant to the 2018 Master Property Management Agreement, the CEC Rida Group shall from time to time provide property management services for properties used or owned by the Group in the PRC (the “**Designated Properties**”) during the term of the 2018 Master Property Management Agreement. The major scope of services provided under the 2018 Master Property Management Agreement includes:

- (1) formulation of property management plan and annual work plan;
- (2) day to day maintenance and management of the public areas of the Designated Properties;
- (3) maintenance and management of the common facilities of the Designated Properties and the public areas of the Designated Properties;
- (4) cleaning and hygiene maintenance of the Designated Properties and the public areas of the Designated Properties;
- (5) maintenance of public order of the Designated Properties and the public areas of the Designated Properties; and
- (6) conducting safety inspection of the Designated Properties, the public areas and the common facilities of the Designated Properties.

Pricing basis:

Pursuant to the 2018 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 2018 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 based on normal commercial terms, fair and reasonable, and no more or no less favourable than the terms available to independent third parties, and the amount of property management fee payable shall be determined by a pricing mechanism with reference to the prevailing market rate for similar property management services for premises of comparable in location, area and permitted uses. The consideration payable by the Group under the 2018 Master Property Management Agreement shall be in cash.

The 2018 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.

The terms of the 2018 Master Property Management Agreement were arrived at after arm's length negotiations between the relevant parties. The Board (including the independent non-executive Directors) is of the view that the pricing mechanism of the property management fee contemplated under the 2018 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 as a whole.

Historical figures:

The total amount of the continuing connected transactions in connection with the property management fee paid by the Group to the CEC Rida Group for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 were RMB7,104,000, RMB6,224,000 and RMB2,871,000 respectively.

Annual caps:

It is expected that for each of the years ending 31 December 2018, 2019 and 2020, 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 2018 Master Property Management Agreement.

	Annual cap for the year ending 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Property management fee payable by the Group to the CEC Rida Group	7,500	8,500	9,000

The annual cap for each of the years ending 31 December 2018, 2019 and 2020 is determined based on (i) the historical property management fee paid by the Group to the CEC Rida Group; (ii) the expected property management fee payable by the Group under the individual supplemental agreement(s) which may be entered into between the Group and the CEC Rida Group under the 2018 Master Property Management Agreement; and (iii) the expected market rate for similar property management services for premises of comparable in location, area and permitted uses in the forthcoming years.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's profitability or trading prospects.

2018 FIRST MASTER LEASE AGREEMENT

The principal terms of the 2018 First Master Lease Agreement are as follows:

- Date:** 19 December 2017 (after trading hours)
- Parties:** (1) the Company
(2) CEC
- Term:** 1 January 2018 to 31 December 2020 (both dates inclusive)

Transaction nature:

Pursuant to the 2018 First 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 2018 First Master Lease Agreement.

Pricing basis:

Pursuant to the 2018 First Master Lease Agreement, the rental chargeable by the Group and payable by the CEC Group shall be subject to the provisions of the 2018 First Master Lease Agreement and the rental 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, fair and reasonable, and no more or no less favourable than the terms available to the Group from independent third parties, and the rental payable by the CEC Group shall be determined by a pricing mechanism with reference to the prevailing market rental for premises of comparable in location, area and permitted uses. The consideration receivable by the Group under the 2018 First Master Lease Agreement shall be payable in cash.

The 2018 First 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 2018 First Master Lease Agreement shall not restrict or limit the Group to lease the relevant properties to any third parties.

The terms of the 2018 First Master Lease Agreement were arrived at after arm's length negotiations between the relevant parties. The Board (including the independent non-executive Directors) is of the view that the pricing mechanism of the rental payable by the CEC Group contemplated under the 2018 First Master Lease Agreement is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Historical figures:

The total amount of the continuing connected transactions in connection with the rental received by the Group from the CEC Group for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 were RMB29,000, nil and nil respectively.

Annual caps:

It is expected that for each of the years ending 31 December 2018, 2019 and 2020, 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 2018 First Master Lease Agreement.

	Annual cap for the year ending 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Rental receivable by the Group from the CEC Group	7,000	9,500	10,000

The annual cap for each of the years ending 31 December 2018, 2019 and 2020 is determined based on (i) the historical rental received by the Group from the CEC Group; (ii) the expected rental receivable by the Group under the individual supplemental agreement(s) which may be entered into between the Group and the CEC Group under the 2018 First Master Lease Agreement; and (iii) the expected market rental rate for premises of comparable in location, area and permitted uses in the forthcoming years.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's revenue, profitability or trading prospects.

2018 SECOND MASTER LEASE AGREEMENT

The principal terms of the 2018 Second Master Lease Agreement are as follows:

- Date:** 19 December 2017 (after trading hours)
- Parties:** (1) the Company
(2) CEC
- Term:** 1 January 2018 to 31 December 2020 (both dates inclusive)

Transaction nature:

Pursuant to the 2018 Second Master Lease Agreement, the Group shall from time to time rent properties located within the PRC and owned by the CEC Group from the CEC Group during the term of the 2018 Second Master Lease Agreement.

Pricing basis:

Pursuant to the 2018 Second Master Lease Agreement, the rental payable by the Group and chargeable by the CEC Group shall be subject to the provisions of the 2018 Second Master Lease Agreement and the rental 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, fair and reasonable, and no more or no less favourable than terms available to the Group from independent third parties, and the rental payable by the Group shall be determined by a pricing mechanism with reference to the prevailing market rental for premises of comparable in location, area and permitted uses. The consideration payable by the Group under the 2018 Second Master Lease Agreement shall be in cash.

The 2018 Second Master Lease Agreement is not exclusive and would not create any obligation on the part of the Group to lease the relevant properties from the CEC Group.

The terms of the 2018 Second Master Lease Agreement were arrived at after arm's length negotiations between the relevant parties. The Board (including the independent non-executive Directors) is of the view that the pricing mechanism of the rental payable by the Group contemplated under the 2018 Second Master Lease Agreement is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Historical figures:

The total amount of the continuing connected transactions in connection with the rental paid by the Group to the CEC Group for each of the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 were RMB783,000, RMB1,210,000 and RMB579,000 respectively.

Annual caps:

It is expected that for each of the years ending 31 December 2018, 2019 and 2020, the maximum annual aggregate rental payable by the Group to 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 2018 Second Master Lease Agreement.

	Annual cap for the year ending 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Rental payable by the Group to the CEC Group	3,000	8,500	9,000

The annual cap for each of the years ending 31 December 2018, 2019 and 2020 is determined based on (i) the historical rental paid by the Group to the CEC Group; (ii) the expected rental payable by the Group under the individual supplemental agreement(s) which may be entered into between the Group and the CEC Group under the 2018 Second Master Lease Agreement; and (iii) the expected market rental rate for premises of comparable in location, area and permitted uses in the forthcoming years.

The above is merely assumed for the purpose of determining the annual caps and shall not be regarded as any indication directly or indirectly as to the Group's profitability or trading prospects.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 MASTER PROPERTY MANAGEMENT AGREEMENT AND THE 2018 MASTER LEASE AGREEMENTS

CEC Rida is principally engaged in the business of provision of property management services in the PRC and has received various recognitions in the field. The Board is 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 Board considers 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 Group.

Having considered 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 and in the view of past operational convenience and benefits brought to the Group and the extensive business relationships established between the Group and the CEC Group, the Board considers that such continuing relationships are expected to bring synergies to the business of the Group and the CEC Group.

In addition, the Board considers that the entering into the 2018 Master Property Management Agreement and the 2018 Master Lease Agreements 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 Board (including the independent non-executive Directors) is of the view that the 2018 Master Property Management Agreement and the 2018 Master Lease Agreements 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 as a whole.

INFORMATION OF THE PARTIES

(a) the Company

The Company is an investment holding company. The Group is principally engaged in the business of design and sale of integrated circuit chips.

(b) 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) CEC Rida

CEC Rida is principally engaged in the business of provision of property management services in the PRC. CEC Rida is a subsidiary of CEC.

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 the Listing Rules, and the transactions contemplated under the 2018 Master Property Management Agreement and the 2018 Master Lease Agreements 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 Rule 14.07 of the Listing Rules) in respect of the 2018 Master Property Management Agreement, the 2018 First Master Lease Agreement and the 2018 Second Master Lease Agreement are higher than 0.1% but all of which are less than 5%, and each has an annual cap consideration of more than HK\$3,000,000, the entering into the 2018 Master Property Management Agreement, the 2018 First Master Lease Agreement, the 2018 Second 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 circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the 2018 Master Property Management Agreement, the 2018 Master Lease Agreements and the transactions contemplated thereunder. Accordingly, no Director was required to abstain from voting on the Board resolutions for considering and approving the same.

DEFINITIONS

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

“2018 First Master Lease Agreement”	the agreement dated 19 December 2017 entered into between the Company and CEC in respect of the leasing arrangements between the Group as landlord and the CEC Group as tenant
“2018 Master Lease Agreements”	together, the 2018 First Master Lease Agreement and the 2018 Second Master Lease Agreement
“2018 Master Property Management Agreement”	the agreement dated 19 December 2017 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

“2018 Second Master Lease Agreement”	the agreement dated 19 December 2017 entered into between the Company and CEC in respect of the leasing arrangements between the Group as tenant and the CEC Group as landlord
“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 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
“Company”	China Electronics Huada Technology Company Limited, a limited liability company incorporated in the Cayman Islands and continued in Bermuda
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders” shareholders of the Company

“%” per cent.

By order of the Board of
China Electronics Huada Technology Company Limited
Dong Haoran
Chairman

Hong Kong, 19 December 2017

As at the date of this announcement, the Board comprises two non-executive Directors, namely Mr. Dong Haoran (Chairman) and Mr. Jiang Juncheng, two executive Directors, namely Mr. Ma Yuchuan (Deputy Chairman) and Mr. Liu Hongzhou (Managing Director), and three independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Chow Chan Lum.