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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, 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.

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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: 00085)

(1) CONTINUING CONNECTED TRANSACTIONS WITH CEC GROUP REVISION OF THE ANNUAL CAPS FOR THE SERVICE CHARGES PAYABLE PURSUANT TO THE 2010-2013 BUSINESS SERVICES AGREEMENT

(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 Monday, 10 October 2011 at 3:00 p.m. is set out on pages 24 to 25 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 registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less 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 adjournment thereof 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 pages 10 to 11 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 12 to 19 of this circular.

* For identification purpose only

19 September 2011

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DEFINITIONS

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

“2010-2013 Business Services Agreement”	the 2010-2013 business services agreement dated 19 July 2010 and entered into between CEC and the Company
“Altus”	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 revision of the annual caps for the Service Charges Payable
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“CEC”	中國電子信息產業集團有限公司 (China Electronics Corporation Limited), a state-owned enterprise established under the laws of the PRC and the ultimate controlling Shareholder
“CEC Group”	CEC and its subsidiaries (other than the Group)
“China Huada”	中國華大集成電路設計集團有限公司 (China Integrated Circuit Design Corp., Ltd.), a substantial Shareholder
“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
“Independent Board Committee”	the committee of Directors comprising Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable

DEFINITIONS

“Independent Shareholders”	Shareholders other than CEC and its associates
“Latest Practicable Date”	14 September 2011, being the latest applicable date prior to the printing of this circular for the purpose of ascertaining certain information contained 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
“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 convened to be held on Monday, 10 October 2011 to consider and, if thought fit, to approve the revision of the annual caps for the Service Charges Payable
“Service Charges Payable”	the service charges payable by the Group under the 2010-2013 Business Services Agreement for the provision of products processing, testing and assembling services by the CEC Group and the purchase of raw materials and modules from the CEC Group
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

For ease of reference only, the names of PRC established companies and entities have been included in this circular 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 tradenames 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 Directors:

Rui Xiaowu (*Chairman*)

Zhao Guiwu (*Vice Chairman*)

Executive Directors:

Fan Qingwu (*Managing Director*)

Liu Jinping

Independent Non-executive Directors:

Chan Kay Cheung

Wong Po Yan

Yin Yongli

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

Principal place of business in

Hong Kong:

Room 3503, 35th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

19 September 2011

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS WITH CEC GROUP
REVISION OF THE ANNUAL CAPS FOR
THE SERVICE CHARGES PAYABLE
PURSUANT TO THE 2010-2013 BUSINESS SERVICES AGREEMENT**

(2) RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to the circular of the Company dated 9 August 2010 in relation to, *inter alia*, the 2010-2013 Business Services Agreement with CEC. The continuing connected transactions contemplated under the 2010-2013 Business Services Agreement and the related annual caps were approved by the then Independent Shareholders at the Company's special general meeting held on 10 September 2010.

* For identification purpose only

LETTER FROM THE BOARD

Pursuant to the 2010-2013 Business Services Agreement, the CEC Group provides products processing, testing and assembling services to the Group for the production of products including integrated circuit cards, smart cards and chips. In addition, the Group also purchases from the CEC Group raw materials and modules for the research and development of integrated circuit cards, smart cards and chips, on a non-committed basis. Such raw materials and modules include but not limited to wafer, integrated circuit modules, integrated circuit cards, integrated circuits and printed circuit boards.

As set out in the circular of the Company dated 9 August 2010, the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 were set at RMB366 million, RMB392 million and RMB207 million, respectively.

In view of the anticipated increasing demand for the Group's products which in turn leads to the increase in the Group's demand for the products processing, testing and assembling services provided by the CEC Group and the Group's purchase of raw materials and modules from the CEC Group, it is expected that the existing annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 are no longer sufficient.

On 26 August 2011, the Company announced that the Directors have, on the same date, resolved to revise the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 from RMB366 million, RMB392 million and RMB207 million, as set out in the circular of the Company dated 9 August 2010, to RMB590 million, RMB770 million and RMB480 million, respectively.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the revised annual caps for the Service Charges Payable are more than 5%, the 2010-2013 Business Services Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 5 August 2011, the Company announced that Mr. Rui Xiaowu was appointed as the Chairman of the Company and a non-executive Director with effect from the same date. Pursuant to Code Provision A.4.2 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, Mr. Rui shall retire at the first general meeting after his appointment and, being eligible, Mr. Rui offers himself for re-election at the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable. In this respect, Altus has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information relating to the revision of the annual caps for the Service Charges Payable and the re-election of Director, and to seek your approval of the ordinary resolutions set out in the notice of SGM on pages 24 to 25 of this circular. The letter from Altus containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 19 of this circular and the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 10 to 11 of this circular.

REVISION OF THE ANNUAL CAPS FOR THE SERVICE CHARGES PAYABLE PURSUANT TO THE 2010-2013 BUSINESS SERVICES AGREEMENT

Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2011, the Service Charges Payable for the six months ended 30 June 2011 was approximately RMB226 million. In view of the anticipated increasing demand for the Group's products which in turn leads to the increase in the Group's demand for the products processing, testing and assembling services provided by the CEC Group and the Group's purchase of raw materials and modules from the CEC Group, it is expected that the existing annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 are no longer sufficient.

On 26 August 2011, the Company announced that the Directors have, on the same date, resolved to revise the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 from RMB366 million, RMB392 million and RMB207 million, as set out in the circular of the Company dated 9 August 2010, to RMB590 million, RMB770 million and RMB480 million, respectively. In arriving at the revised annual caps for the Service Charges Payable, the Company has made reference to the historical service charges paid by the Group and has taken into account the expected demand for the products of the Group, the production plan of the Group and the costs of such services, raw materials and modules.

Other than the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013, the terms and conditions of the 2010-2013 Business Services Agreement will remain unchanged.

The Directors are of the view that the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors have any material interest in the 2010-2013 Business Services Agreement and therefore no Director is required to abstain from voting on the board resolution approving the revision of the annual caps for the Service Charges Payable.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Service Charges Payable has not exceeded the existing annual cap approved by the then Independent Shareholders on 10 September 2010.

LISTING RULES IMPLICATIONS

CEC, which was interested in approximately 71.30% of the issued share capital of the Company as at the Latest Practicable Date, is the ultimate controlling Shareholder and hence a connected person of the Company.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the revised annual caps for the Service Charges Payable are more than 5%, the 2010-2013 Business Services Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group is engaged in the design, research and development and sale 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 focuses on communications, consumer electronics, semi-conductor and software sectors in the PRC.

RE-ELECTION OF DIRECTOR

On 5 August 2011, Mr. Rui Xiaowu was appointed as the Chairman of the Company and a non-executive Director with effect from the same date. Pursuant to Code Provision A.4.2 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, Mr. Rui shall retire at the first general meeting after his appointment and, being eligible, Mr. Rui offers himself for re-election at the SGM.

LETTER FROM THE BOARD

The biographical details of Mr. Rui Xiaowu are set out below:

Mr. Rui Xiaowu, aged 52, is the Chairman of the Company and a non-executive Director. Mr. Rui graduated from the Science & Technology University for National Defense of China in 1982 with a major in Computer Software, was a Master's postgraduate and a Research Fellow, and was awarded the "Government Special Allowance" by the State Council of the PRC. Mr. Rui is the chairman of CEC, the ultimate controlling Shareholder. Mr. Rui was previously the director of the 710 Research Institute of the Ministry of Aerospace Industry of China, the assistant general manager of China Aerospace Science & Technology Corporation, the general manager of China Satellite Communications Corporation and the deputy general manager of China Aerospace Science & Technology Corporation. Mr. Rui was also the chairman of China Satellite Communications Corporation Limited, the chairman and a non-executive director of China Aerospace International Holdings Limited, the chairman of NavInfo Company Limited (a company listed on the Shenzhen Stock Exchange), the chairman of China Spacesat Company Limited (a company listed on the Shanghai Stock Exchange), the chairman, president and an executive director of China Aerospace International Holdings Limited, the chairman and an executive director of CASIL Telecommunications Holdings Limited, the chairman and a non-executive director of APT Satellite Holdings Limited, and has extensive experience in corporate management. Save as disclosed above, Mr. Rui has not held any directorship in any other listed public companies in the past three years.

Mr. Rui has not entered into any service contract with the Company which provides for a specified length of service. Mr. Rui will be subject to retirement by rotation and re-election at annual general meetings of the Company every three years. Mr. Rui will receive an annual remuneration of HK\$600,000 in his capacity as the Chairman of the Company and a non-executive Director, and will also be entitled to a discretionary bonus and a discretionary award of share options as may be recommended by the remuneration committee of the Board and determined by the Board with reference to his performance, duties and responsibilities, and to the prevailing market conditions.

Save as disclosed herein, Mr. Rui does not have any relationship with any Directors, senior management or substantial or controlling Shareholders. As at the Latest Practicable Date, Mr. Rui does not have any interest in the 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. Rui 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.

LETTER FROM THE BOARD

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 Monday, 10 October 2011 at 3:00 p.m. is set out on pages 24 to 25 of this circular. At the SGM, ordinary resolutions will be proposed to approve the revision of the annual caps for the Service Charges Payable and the re-election of Director. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by poll.

In accordance with the Listing Rules, CEC, the Company's ultimate controlling Shareholder, and its associates, which together were interested in approximately 71.30% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the ordinary resolution approving the revision of the annual caps for the Service Charges Payable at the SGM.

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 registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less 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.

RECOMMENDATION

Altus has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable. Altus considers that the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, Altus advises the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the revision of the annual caps for the Service Charges Payable. The text of the letter from Altus containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 12 to 19 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, after considering the advice from Altus, concurs with the view of Altus and considers that the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the revision of the annual caps for the Service Charges Payable. The text of the letter from the Independent Board Committee is set out on pages 10 to 11 of this circular.

FURTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix 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)

19 September 2011

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS WITH CEC GROUP
REVISION OF THE ANNUAL CAPS FOR
THE SERVICE CHARGES PAYABLE
PURSUANT TO THE 2010-2013 BUSINESS SERVICES AGREEMENT**

We refer to the circular (the “Circular”) of the Company dated 19 September 2011, 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.

On 26 August 2011, the Company announced that the Directors have, on the same date, resolved to revise the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 from RMB366 million, RMB392 million and RMB207 million, as set out in the circular of the Company dated 9 August 2010, to RMB590 million, RMB770 million and RMB480 million, respectively.

We have been appointed by the Board to advise you as to whether the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details of the revision of the annual caps for the Service Charges Payable are set out in the section headed “Letter from the Board” of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Altus has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable. The text of the letter from Altus containing its advice and the principal factors and reasons it has taken into consideration in arriving at its advice is set out on pages 12 to 19 of the Circular.

We, after taking advice from Altus, concur with the views of Altus and consider that the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is 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 revision of the annual caps for the Service Charges Payable, as detailed in the notice of SGM set out on pages 24 to 25 of the Circular.

Yours faithfully,

Independent Board Committee

Chan Kay Cheung

Wong Po Yan

Yin Yongli

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable which was prepared for the purpose of inclusion in this circular:

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

*The Independent Board Committee and Independent Shareholders
China Electronics Corporation Holdings Company Limited*

19 September 2011

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS WITH CEC GROUP REVISION OF THE ANNUAL CAPS FOR THE SERVICE CHARGES PAYABLE PURSUANT TO THE 2010-2013 BUSINESS SERVICES AGREEMENT

INTRODUCTION

We refer to the circular of the Company dated 19 September 2011 (the “Circular”) of which this letter forms part and to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps for the Service Charges Payable. Details of the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 are set out in the Letter from the Board contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

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 and hence a connected person of the Company.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the revision of the annual caps for the Service Charges Payable are more than 5%, the 2010-2013 Business Services Agreement is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM ALTUS

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the revision of the annual caps for the Service Charges Payable. As stated in the Letter from the Board, CEC and its associates shall abstain from voting at the SGM to be convened by the Company for the purpose of approving the revision of the annual caps for the Service Charges Payable.

BASIS OF OUR OPINION

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true and accurate and, unless otherwise stated, complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

LETTER FROM ALTUS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013, we have considered the following principal factors and reasons:

1. Background

Reference is made to the circular of the Company dated 9 August 2010 in relation to, inter alia, the 2010-2013 Business Services Agreement with CEC (the “2010 Circular”). The continuing connected transactions contemplated under the 2010-2013 Business Services Agreement and the related annual caps were approved by the then Independent Shareholders at the Company’s special general meeting held on 10 September 2010.

Pursuant to the 2010-2013 Business Services Agreement, the CEC Group provides products processing, testing and assembling services to the Group for the production of products including integrated circuit cards, smart cards and chips. In addition, the Group also purchases from the CEC Group raw materials and modules for the research and development of integrated circuit cards, smart cards and chips, on a non-committed basis. Such raw materials and modules include but not limited to wafer, integrated circuit modules, integrated circuit cards, integrated circuits and printed circuit boards.

Details of the 2010-2013 Business Services Agreement were set out in the 2010 Circular where the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 were as follows:

	For the year ending 31 December		For the six months ending 30 June
	2011	2012	2013
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Approved annual cap for the Service Charges Payable	366,000	392,000	207,000

LETTER FROM ALTUS

Based on the Group's interim results for the six months ended 30 June 2011, the Service Charges Payable during the period was approximately RMB226 million representing approximately 62% of the approved annual cap for the year ending 31 December 2011 stated in the table above. In view of the anticipated increasing demand for the Group's products which will in turn lead to increase in the Group's demand for products processing, testing and assembling services provided by the CEC Group and the Group's purchase of raw materials and modules from the CEC Group, the Company expects that the existing annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 are no longer sufficient.

On 26 August 2011, the Directors resolved to revise the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 as follows:

	For the year ending		For the
	31 December		six months
	2011	2012	ending 30 June
	(RMB'000)	(RMB'000)	2013
			(RMB'000)
Proposed annual cap			
for the Service			
Charges Payable	590,000	770,000	480,000

Other than the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013, the terms and conditions of the 2010-2013 Business Services Agreement will remain unchanged.

LETTER FROM ALTUS

2. Reasons for the revision

The demand for the Group's products has increased significantly in the first half of 2011 compared to the corresponding period of the previous year. Based on the Group's interim results for the six months ended 30 June 2011, its revenue amounted to HK\$661.6 million, representing an increase of 152% from the HK\$263.0 million recorded in the corresponding period of the previous year. For the six months ended 30 June 2011, sales of a number of the Group's main products recorded significant increase when compared with the corresponding period of the previous year.

For the six months ended 30 June 2011

Smart card chips categories	Sales (HK\$ million)	Percentage increase compared with the corresponding period of the previous year	Outlook of the PRC smart cards market
Telecommunications	203.5	280%	In telecommunication field, with the popularity of smart handsets and increase of mobile value-added services, the demand for advance telecommunications cards will significantly increase;
Social security	178.6	173%	In governmental field, the social security cards are issued intensively and massively in various provinces and municipalities;
Public utility	92.3	207%	In transportation field, with the upgrading and improvement of urban public transportation, the expansion of coverage of high speed railway and the increase in vehicle penetration rate, the demands for all-purpose payment cards, railway tickets and petrol payment cards will also sustain a strong growth.

LETTER FROM ALTUS

The Service Charges Payable for the six months ended 30 June 2011 represents approximately 62% of the existing approved annual cap. If annualised for illustration purposes only, the Group would have exceeded the approved annual cap for the year ended 31 December 2011 at a utilisation rate of about 123%. In view of this, the Directors have proposed the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013.

As stated in its announcement for interim results for the six months ended 30 June 2011, the Group is of the view that the PRC smart cards market will continue to sustain a stable and rapid development trend. The Directors stated that they are confident that the Group can capture the growth opportunities in the smart cards market in the PRC and continue to maintain their leading position in the industry. The above factors have been major contributors to the increasing demand for the Group's products and form the basis of the projections of the Group in arriving at the revised annual caps.

We are of the view that such recent positive development of the Group is a reasonable basis for the Group to propose the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013.

3. CEC Group as a supplier/service provider

The Directors advised that the CEC Group has been efficient in fulfilling majority of the outsourcing and purchase requirements of the Group, and the CEC Group has been providing the Group with high quality services and reliable supply of raw materials and modules at competitive prices throughout the years. The Directors therefore consider the CEC Group as a desirable supplier of the Group and it is commercially sensible to continue with such business relationship. We have compared samples of relevant service charges for modules obtained from members of the CEC Group in the past with those of similar services provided by independent third party suppliers/service providers and found that the service charges are comparable. We have also compared the purchase prices of raw materials purchased from the CEC Group with those of the same products purchased from independent third party suppliers and found that the prices are comparable.

We are of the view that the transactions contemplated under the 2010-2013 Business Services Agreement are vital and integral to the Group's business operations. The revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable and in the interests of the Company and the Shareholders as a whole as the Group has the option to continue to fulfill its outsourcing and purchase requirements from the CEC Group when its prices are competitive. This may ensure reliable supply in the event that the Group is not able to purchase its raw materials and modules from independent third party suppliers during time of supply shortage or when prices of independent third party suppliers are not competitive.

LETTER FROM ALTUS

4. The revised annual caps

We have discussed with the Company's management about the projected Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013. The anticipated increase in Service Charges Payable is expected to be due to (i) the continuous increase in demand for the Group's products based on sales in the first half of 2011 and taking into account the Group's orders on hand; and (ii) rise in prices of semi-conductive raw materials. We are of the view that these assumptions are fair and reasonable based on recent trends.

Set out below is a table showing the proposed annual caps for the Service Charges Payable under the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013:

	For the year ending 31 December		For the six months ending 30 June
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Approved annual cap for the Service Charges Payable	366,000	392,000	207,000
Proposed annual cap for the Service Charges Payable	590,000 ⁽¹⁾	770,000 ⁽²⁾	480,000 ⁽³⁾

Notes:

- (1) Assumed an increase in the Group's production volume and prices of raw materials by 40% and 12% respectively in the second half of 2011. Assumed an overall increase in the Service Charges Payable for the year ending 31 December 2011 by 61% compared with the previously approved annual cap.
- (2) Assumed a year-on-year growth in the Group's production volume by 30%. Prices of raw materials expected to remain unchanged.
- (3) Assumed a year-on-year growth in the Group's production volume by 25%. Prices of raw materials expected to remain unchanged.

LETTER FROM ALTUS

Based on sales in the first half of 2011 and orders on hand, the Group is expected to increase its demand for products processing, testing and assembling services provided by the CEC Group and the Group's purchases of raw materials and modules from the CEC Group in the second half of 2011. Meanwhile, the earthquake disaster in Japan has led to shortage in the semi-conductive materials market. Hence, the purchase price of raw materials from the CEC Group is assumed to increase by about 12% in the second half of 2011.

The demand of the Group's products is anticipated to increase continuously throughout the period of the 2010-2013 Business Services Agreement which in turn will lead to the need of a revision of the annual caps for the year ending 31 December 2012 and the six months ending 30 June 2013. According to the announcement by the Ministry of Human Resources and Social Security and the Central Bank of the PRC, social security cards with financial functions are expected to be promoted throughout the country in 2013. The Group's business is also expected to be underpinned by the PRC EMV migration (changeover from magnetic stripe card to smart IC card for PRC banking cards) where the People's Bank of China has announced the decision for EMV migration in the PRC and expects all the banks to be issuing smart IC banking cards by 2013. In this regard and having considered the above developments, the management has assumed that a year-on-year growth in the Group's production volume of about 30% and 25%, while prices are assumed to remain unchanged throughout the aforesaid periods. We are of the view that the Group's basis and assumptions in arriving at the revised annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is fair and reasonable.

CONCLUSION AND RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 under the 2010-2013 Business Services Agreement is on normal commercial terms, is in the ordinary and usual course of business of the Group, and is fair and reasonable so far as the Independent Shareholders are concerned. The revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 is also in the interests of the Company and the Shareholders as a whole, in particular, it provides flexibility to the Group to manage its procurement activities without having to commit to any level of purchases. We would therefore advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution approving the revision of the annual caps for the Service Charges Payable for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013 to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip
Executive Director

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. Zhao Guiwu, the Vice Chairman of the Company and a non-executive Director, is a director of the Integrated Circuit Department of CEC and a director of CEC (BVI). Mr. Fan Qingwu, the Managing Director 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 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, none of the Directors nor Altus 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 held	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 the Company or 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. EXPERT

Altus is 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. Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they appear.

Altus is not beneficially interested in the share capital of any member of the Group and does 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.

6. COMPETING INTEREST

Mr. Rui Xiaowu, the Chairman of the Company and a non-executive Director, is the chairman of CEC. Mr. Zhao Guiwu, the Vice Chairman of the Company and a non-executive Director, is a director of the Integrated Circuit Department of CEC. Mr. Zhao is also the chairman of Shanghai Belling Co., Ltd., the chairman of Shanghai Huahong Integrated Circuit Co., Ltd, the vice chairman of Shanghai Huahong (Group) Co., Ltd and a director of Shanghai Huahong NEC Electronics Company Ltd. Mr. Liu Jinping 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 which are 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 Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company'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 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Linklaters, 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day from the date of this circular up to and including 3 October 2011 and at the SGM:

- (a) the 2010-2013 Business Services Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 10 to 11 of this circular;
- (c) the letter of advice from Altus to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 19 of this circular;
- (d) the consent letter from Altus as referred to in the paragraph headed “Expert” in this Appendix; and
- (e) this circular.

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 the shareholders 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 Monday, 10 October 2011 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the revised annual caps of RMB590 million, RMB770 million and RMB480 million for the two years ending 31 December 2011 and 2012 and the six months ending 30 June 2013, respectively, for the service charges payable by the Company and its subsidiaries under the 2010-2013 business services agreement dated 19 July 2010 and entered into between the Company and 中國電子信息產業集團有限公司 (China Electronics Corporation Limited) (the “**2010-2013 Business Services Agreement**”) be and are hereby generally and unconditionally approved and any one director of the Company be and is hereby authorised to do all such further acts and things and take all such steps which he considers necessary, desirable or expedient to implement and/or validate anything related to the revision of the annual caps for the service charges payable pursuant to the 2010-2013 Business Services Agreement.”
2. “**THAT** Mr. Rui Xiaowu be re-elected as a director.”

By order of the Board of
China Electronics Corporation Holdings Company Limited
Ng Kui Kwan
Company Secretary

Hong Kong, 19 September 2011

* 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 3503, 35th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. 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.
2. 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 registrar and transfer office in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less 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.
3. 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.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the above ordinary resolutions will be taken by poll.