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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)

**DISCLOSEABLE TRANSACTION
AND
ANNOUNCEMENT PURSUANT TO
RULES 13.15 AND 13.16 OF THE LISTING RULES
ENTRUSTED LOAN ARRANGEMENT**

The Board announces that on 24 July 2014, CEC Technology, a direct wholly-owned subsidiary of the Company, entered into the Entrustment Agreement with CEC Finance in relation to the provision of the Entrusted Loan in the principal amount of RMB400 million by CEC Technology to the Borrower with CEC Finance acting as the lending agent. On the same date, CEC Finance and the Borrower entered into the Entrusted Loan Agreement pursuant to which CEC Finance, at the request of and acting as a lending agent to CEC Technology, agreed to provide the Entrusted Loan to the Borrower.

* *For identification purpose only*

As the relevant applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the provision of the Entrusted Loan exceed 5% but all the applicable percentage ratios are less than 25%, the provision of the Entrusted Loan constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As the provision of the Entrusted Loan to the Borrower exceeds 8% under the assets ratio as defined under Rule 14.07 of the Listing Rules and the Borrower is an Affiliated Company of the Group, and the Entrusted Loan is the only financial assistance granted by the Group to its Affiliated Companies as at the date of this announcement, the provision of the Entrusted Loan is also subject to the general disclosure requirements under Rules 13.15 and 13.16 of the Listing Rules, respectively.

INTRODUCTION

The Board announces that on 24 July 2014, CEC Technology, a direct wholly-owned subsidiary of the Company, entered into the Entrustment Agreement with CEC Finance. On the same date, CEC Finance, as requested by CEC Technology under the Entrustment Agreement, entered into the Entrusted Loan Agreement with the Borrower. The principal terms of the Entrustment Agreement and the Entrusted Loan Agreement are set out below.

ENTRUSTMENT AGREEMENT

Date: 24 July 2014

Parties:

- (a) Principal: CEC Technology
- (b) Entrusted lending agent: CEC Finance

Pursuant to the Entrustment Agreement, CEC Finance has, at the request of and acting as an agent to CEC Technology, agreed to provide the service as a lending agent in relation to the provision of the Entrusted Loan in the principal amount of RMB400 million to the Borrower. The Entrusted Loan will be funded from the internal resources of CEC Technology. The handling fee charged by CEC Finance is 0.2% per annum of the outstanding principal amount of the Entrusted Loan, and shall be payable by the Borrower on a quarterly basis.

As at the date of this announcement, CEC Finance is a subsidiary of CEC, the controlling shareholder of the Company interested in approximately 71.30% of the issued share capital of the Company. As such, CEC Finance is a connected person of the Company under the Listing Rules. The Entrustment Agreement therefore constitutes a connected transaction of the Company. However, since all of the applicable percentage ratios are below 0.1%, the Entrustment Agreement will be fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

ENTRUSTED LOAN AGREEMENT

Date: 24 July 2014

Parties:

- (a) Entrusted lending agent: CEC Finance

- (b) Borrower: Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and as at the date of this announcement, the Borrower, other than being 40% indirectly owned by the Company, is a third party independent of the Company and its connected persons.

Amount of the Entrusted Loan

Pursuant to the Entrusted Loan Agreement, CEC Finance, at the request of and acting as a lending agent to CEC Technology, agreed to provide the Entrusted Loan in the principal amount of RMB400 million to the Borrower. The Borrower will draw down the Entrusted Loan from time to time based on its needs. On the date of this announcement, the Borrower has drawn down the Initial Draw Down Amount at the interest rate of 9% per annum.

The Entrusted Loan shall be used by the Borrower as general working capital to develop the Hainan Resort Software Community (海南生態軟件園).

Term

The Entrusted Loan Agreement is for a term of two years commencing from 24 July 2014 and ending on 23 July 2016. The Borrower shall repay in full the principal and the accrued interest on the Entrusted Loan at maturity.

Interest rate and handling fee

The range of the interest rate for the Entrusted Loan is 9% to 12% per annum, which is agreed by the parties after arm's length negotiations with reference to the prevailing market practices for entrusted loans in the PRC. The specific interest rate will be fixed by CEC Technology each time the Borrower draws down the Entrusted Loan. According to CEC Technology's request, CEC Finance is entitled to adjust the interest rate for the Entrusted Loan within the range above during the term of the Entrusted Loan. The interests shall be payable by the Borrower to CEC Finance on a quarterly basis, and CEC Finance will remit the same amount to CEC Technology within two business days upon receipt of the amount.

The handling fee of 0.2% per annum of the outstanding principal amount of the Entrusted Loan charged by CEC Finance pursuant to the Entrustment Agreement will be payable by the Borrower on a quarterly basis.

Security for the Entrusted Loan

In connection with the provision of the Entrusted Loan to the Borrower, CEC Finance will, for the benefit of CEC Technology, obtain security for the Entrusted Loan in the form of guarantee, share pledge or charge over assets granted by a security provider satisfactory to CEC Technology, to secure the Borrower's obligation under the Entrusted Loan Agreement. In the event of default by the Borrower under the Entrusted Loan Agreement, CEC Finance will enforce the security at the request of and for the benefit of CEC Technology.

On the date of this announcement, CEC Finance has obtained a share pledge granted by the shareholders holding the remaining 60% equity interest in the Borrower over certain amount of the Borrower's shares, as security for 60% of the Initial Draw Down Amount.

REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN ARRANGEMENT

The terms of the Entrustment Agreement and the Entrusted Loan Agreement were agreed by the parties after arm's length negotiations having taken into account the prevailing market practices for entrusted loans in the PRC. The Directors consider that the provision of the Entrusted Loan will provide the Borrower with additional and stable funding for its investments in the Hainan Resort Software Community (海南生態軟件園), and is in line with the Company's efforts in developing the business of the Borrower. This will in turn enhance the quality of the assets held by the Group and thereby enhancing the Group's profitability and growth. The Directors also consider that the Entrusted Loan provides the Group with a reasonable return from the interest received and represents a good opportunity to provide satisfactory return on the use of the Group's own funds. Accordingly, the Directors are of the view that the terms of the Entrustment Agreement and the Entrusted Loan Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the provision of the Entrusted Loan exceed 5% but all the applicable percentage ratios are less than 25%, the provision of the Entrusted Loan constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the provision of the Entrusted Loan to the Borrower exceeds 8% under the assets ratio as defined under Rule 14.07 of the Listing Rules and the Borrower is an Affiliated Company of the Group, and the Entrusted Loan is the only financial assistance granted by the Group to its Affiliated Companies as at the date of this announcement, the provision of the Entrusted Loan is also subject to the general disclosure requirements under Rules 13.15 and 13.16 of the Listing Rules, respectively.

GENERAL

The Company is an investment holding company. The principal activities of the Group are (i) design, research and development and sale of integrated circuits chips, and (ii) development and management of electronic information technology industrial parks in the PRC.

CEC Finance is a non-bank financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission, and is permitted to provide various financial services to CEC and its subsidiaries.

The Borrower is a company established in the PRC and is principally engaged in the development and management of the Hainan Resort Software Community (海南生態軟件園).

DEFINITIONS

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

“Affiliated Company”	has the meaning ascribed to it under Rule 13.11(2)(a) of the Listing Rules
“Board”	the board of Directors
“Borrower”	Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), a company established under the laws of the PRC
“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 Finance”	China Electronics Financial Co., Ltd (中國電子財務有限責任公司), a company established under the laws of the PRC
“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
“Company”	China Electronics Corporation Holdings Company Limited
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	the directors of the Company
“Entrusted Loan”	a loan in the principal amount of RMB400 million entrusted by CEC Technology to be provided to the Borrower through the Entrustment Agreement and the Entrusted Loan Agreement, in which CEC Finance acts as the lending agent
“Entrusted Loan Agreement”	the entrusted loan agreement (委託貸款借款合同) dated 24 July 2014 entered into between CEC Finance and the Borrower in relation to the Entrusted Loan
“Entrustment Agreement”	the entrustment agreement for the Entrusted Loan (委託貸款委託合同) dated 24 July 2014 entered into between CEC Technology and CEC Finance
“Group”	the Company and its subsidiaries
“Initial Draw Down Amount”	means the initial amount of RMB200 million drawn by the Borrower under the Entrusted Loan Agreement
“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
“%”	per cent.

For ease of reference only, the names of the 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 July 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. Xie Qinghua (Managing Director), Mr. Liu Hongzhou (Vice Chairman) and Mr. Liu Jinping, and two Independent Non-executive Directors, namely Mr. Chan Kay Cheung and Mr. Qiu Hongsheng.