# 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)**

# 2010 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Electronics Corporation Holdings Company Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with comparative figures as follows:

**Condensed Consolidated Interim Income Statement**

*For the six months ended 30 June 2010*

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *Note* | ***HK$'000*** | *HK$'000* (Restated) |
| **Continuing operations** | | | |
| **Revenue** | *3* | **262,998** | 267,506 |
| Cost of sales | *6* | **(171,525)** | (174,948) |
| **Gross profit** | | **91,473** | 92,558 |
| Other gains – net | *4* | **8,980** | 13,446 |
| Selling and marketing costs | *6* | **(15,915)** | (6,051) |
| Administrative expenses | *6* | **(54,683)** | (53,134) |
| **Operating profit** | | **29,855** | 46,819 |
| Finance income – net | *5* | **529** | 657 |
| **Profit before income tax** | | **30,384** | 47,476 |
| Income tax expense | *7* | **(3,886)** | (8,045) |
| **Profit for the period from continuing operations** | | **26,498** | 39,431 |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | *8* | **–** | (91,320) |
| **Profit/(Loss) for the period** | | **26,498** | (51,889) |
| **Attributable to:** | | | |
| – Shareholders of the Company | | **26,498** | (46,370) |
| – Minority interests | | **–** | (5,519) |
| | | **26,498** | (51,889) |
| | | ***HK cents*** | *HK cents* |
| **Earnings/(Loss) per share** | *9* | | |
| From continuing and discontinued operations | | | |
| – Basic | | **1.57** | (3.14) |
| – Diluted | | **1.57** | (3.14) |
| From continuing operations | | | |
| – Basic | | **1.57** | 1.61 |
| – Diluted | | **1.57** | 1.61 |
| **Dividends** | *10* | **–** | – |

**Condensed Consolidated Interim Statement of Comprehensive Income**
*For the six months ended 30 June 2010*

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Profit/(Loss) for the period** | **26,498** | (51,889) |
| **Other comprehensive income for the period:** | | |
| Exchange differences on translation of financial statements of foreign operations | **2,017** | (2,415) |
| **Total comprehensive income for the period** | **28,515** | (54,304) |
| **Attributable to:** | | |
| – Shareholders of the Company | **28,515** | (48,777) |
| – Minority interests | **–** | (5,527) |
| | **28,515** | (54,304) |

**Condensed Consolidated Interim Balance Sheet**
*As at 30 June 2010*

| | Note | 30 June 2010 (Unaudited) HK$'000 | 31 December 2009 (Audited) HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **21,719** | 22,334 |
| Intangible assets | | **7,725** | 3,984 |
| Deferred taxation assets | | **14,013** | 12,921 |
| Interests in an associate | | **748** | 741 |
| Available-for-sale financial assets | | **2,293** | 2,271 |
| | | **46,498** | 42,251 |
| **Current assets** | | | |
| Inventories | | **168,325** | 84,610 |
| Trade and other receivables | *11* | **273,807** | 208,509 |
| Cash and cash equivalents | | **334,291** | 397,420 |
| | | **776,423** | 690,539 |
| **Total assets** | | **822,921** | 732,790 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's shareholders** | | | |
| Issued equity | | **889,171** | 889,171 |
| Other reserves | | **(344,825)** | (346,842) |
| Accumulated losses | | **(111,502)** | (138,000) |
| **Total equity** | | **432,844** | 404,329 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **367,151** | 305,746 |
| Short term bank loans | | **22,926** | 22,715 |
| **Total liabilities** | | **390,077** | 328,461 |
| **Total equity and liabilities** | | **822,921** | 732,790 |
| **Net current assets** | | **386,346** | 362,078 |
| **Total assets less current liabilities** | | **432,844** | 404,329 |

## 1 Basis of preparation

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

On 20 June 2008, the Company entered into agreements with the then shareholders of CEC Huada Electronic Design Co., Ltd. (“Huada Electronics”) for the acquisition of the entire equity interests of Huada Electronics (“Huada Acquisition”). Huada Electronics is primarily engaged in the design, research and development and sale of integrated circuits. Completion of the Huada Acquisition took place on 9 September 2009 and Huada Electronics has become a wholly-owned subsidiary of the Company.

Prior to the Huada Acquisition, Huada Electronics was owned as to 64.75% by China Integrated Circuit Design Corp., Ltd. (“China Huada”) which in turn is owned as to 50% by each of China Electronics Corporation Limited (“CEC”) and The State Development and Investment Corporation (“SDIC”). Both CEC and SDIC are state-owned enterprises and controlled by State-owned Assets Supervision and Administration Commission of the State Council. The Company applies the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“HKAG 5”) issued by the Hong Kong Institute of Certified Public Accountants, in accounting for the Huada Acquisition. Financial statements of Huada Electronics have been included in the condensed consolidated interim financial information of the Company for the six months ended 30 June 2009, as if the acquisition had occurred at the previous balance sheet dates presented. Comparative figures at 30 June 2009 and for the six months period then ended have been restated on such basis.

On 9 November 2009, the Company entered into a sale and purchase agreement with P-Marshall Hong Kong Limited and Shenzhen SED Electronics Group Co., Ltd. for the disposal of the entire issued share capital of Sang Fei (BVI) Company Limited (“Sang Fei (BVI)”) for a cash consideration of HK$10 million. Sang Fei (BVI)’s principal asset is the holding of 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited (“Sang Fei”). The disposal was completed on 29 December 2009. The principal activities of Sang Fei are the manufacturing and sale of mobile handsets and other portable electronics products.

Following completion of the disposal of Sang Fei (BVI), Huada Electronics is the principal operating subsidiary of the Company and the principal activities of the Group are the design, research and development and sale of integrated circuits.

The effects arising from the common control combination and the disposal of Sang Fei (BVI) and its subsidiaries on the condensed consolidated interim income statement for the six months ended 30 June 2009 are summarised as follows:

| | **Amount previously reported** *HK$'000* | **Merger of Huada Electronics** *HK$'000* (1) | **Disposal of Sang Fei (BVI)** *HK$'000* (2) | **Restated** *HK$'000* |
|---|---|---|---|---|
| **Continuing operations:** | | | | |
| Revenue | 877,883 | 267,506 | (877,883) | 267,506 |
| Profit for the period from continuing operations | (96,096) | 44,207 | 91,320 | 39,431 |
| **Discontinued operation:** | | | | |
| Loss for the period from discontinued operation *(Note 8)* | – | – | (91,320) | (91,320) |
| **Loss for the period** | **(96,096)** | **44,207** | **–** | **(51,889)** |

(1) The financial information of Huada Electronics for the six months ended 30 June 2009 are included using the principles of merger accounting as prescribed in HKAG 5 as stated above.

(2) The revenue and loss related to the operating result of Sang Fei (BVI) and its subsidiaries for the six months ended 30 June 2009 are presented under "loss from discontinued operation" as required by HKFRS 5.

## 2 Principal accounting policies

Except as described below, the accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2009. In 2010, the Group has adopted the following new standards and amendments to existing standards below, which are relevant to its operations and effective for the accounting period beginning on 1 January 2010. Adoption of such standards did not have any significant effect on results or financial position of the Group for the current period.

| | |
|---|---|
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement – Eligible Hedged Items |
| HKFRS 2 (Amendment) | Share-based payment – Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| Annual Improvements Project | Improvements to HKFRSs 2009 |

Other than the early adoption of HKAS 24 (Revised) "Related Party Transactions" which is effective from 1 January 2011, the Group did not early adopt any of the new or revised standards, amendments to standards and interpretations to existing standards that have been issued by the Hong Kong Institute of Certified Public Accountants but are not yet effective. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

## 3 Revenue and segment information

### (a) Revenue

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Integrated circuits products | **262,998** | 267,506 |
| **Discontinued operation** | | |
| *"Philips"* mobile handsets | – | 455,317 |
| Own-branded and other ODM/EMS mobile handsets | – | 209,682 |
| Multi-media players | – | 212,884 |
| | – | 877,883 |

### (b) Operating segments

Management has determined the operating segments based on the reports reviewed by the directors (the chief operating decision maker) that are used to assess performance and allocate resources.

The directors consider that the Group's continuing operations are operated and managed as a single segment, accordingly no segment information is presented for the continuing operations.

The Group's discontinued operation has three reportable operating segments: *"Philips"* mobile handsets, own-branded and other ODM/EMS mobile handsets and multi-media players. Management assesses the performance of the operating segments based on segment results, which is measured by revenues and related material costs and contributable expenses. Segment information is reported in a manner consistent with that provided to the chief operating decision maker for decision making.

As the discontinued operation has been disposed in December 2009, segment results and reconciliation to loss from discontinued operation are only presented for the six months ended 30 June 2009 and as follows:

| | **Unaudited** | | | |
|---|---|---|---|---|
| | ***"Philips"* mobile handsets Six months ended 30 June 2009** *HK$'000* | **Own-branded and other ODM/EMS mobile handsets Six months ended 30 June 2009** *HK$'000* | **Multi-media players Six months ended 30 June 2009** *HK$'000* | **Total Six months ended 30 June 2009** *HK$'000* |
| Revenue | 455,317 | 209,682 | 212,884 | 877,883 |
| Segment results | (761) | (9,337) | 5,636 | (4,462) |
| Other losses – net | | | | (8,574) |
| Unallocated costs | | | | (67,068) |
| Operating loss | | | | (80,104) |
| Finance costs – net | | | | (11,216) |
| Loss before income tax | | | | (91,320) |
| Income tax credit | | | | – |
| Loss for the period | | | | (91,320) |
| Attributable to: | | | | |
| – Shareholders of the Company | | | | (70,218) |
| – Minority interests | | | | (21,102) |
| | | | | (91,320) |

All segment revenues were from external customers and there was no inter-segment sales during the six months ended 30 June 2009. Unallocated costs consist primarily of selling and marketing costs and administrative expenses, which contribute to all operating segments.

The revenues by location are as follows:

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* (Restated) |
| **Continuing operations** | | |
| Mainland China | **262,998** | 267,506 |
| **Discontinued operation** | | |
| Mainland China | **–** | 331,774 |
| Hong Kong | **–** | 308,526 |
| Europe | **–** | 170,726 |
| Asia excluding Mainland China and Hong Kong | **–** | 46,787 |
| North America | **–** | 20,070 |
| | **–** | 877,883 |

Total non-current assets by location are as follows:

| | 30 June 2010 (Unaudited) *HK$'000* | 31 December 2009 (Audited) *HK$'000* |
|---|---|---|
| Mainland China | **32,351** | 29,112 |
| Hong Kong | **134** | 218 |
| | **32,485** | 29,330 |
| Deferred taxation assets | **14,013** | 12,921 |
| Total non-current assets per consolidated balance sheets | **46,498** | 42,251 |

**4 Other gains – net**

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** *HK$'000* | 2009 *HK$'000* (Restated) |
| Government grants | **8,954** | 13,327 |
| Share of profit of the associate | **7** | 144 |
| Others | **19** | (25) |
| | **8,980** | 13,446 |

**5 Finance income – net**

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** *HK$'000* | 2009 *HK$'000* (Restated) |
| Interest income on short term deposits | **1,150** | 1,928 |
| Interest on bank loans | **(621)** | (1,271) |
| | **529** | 657 |

**6 Profit before taxation**

The Group's profit before taxation has been arrived at after charging:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** *HK$'000* | 2009 *HK$'000* (Restated) |
| Depreciation of property, plant and equipment | **3,882** | 3,069 |
| Amortisation of intangible assets | **2,033** | 644 |
| Written down of inventories to net realisable value | **514** | 1,663 |
| Impairment provision for receivables | **904** | – |
| Auditor's remuneration | **344** | 400 |
| Operating lease expenses on property and equipment | **3,838** | 2,091 |

## 7 Income tax expense

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Current taxation | | |
| – PRC enterprise income tax | **4,852** | 7,640 |
| Deferred taxation | **(966)** | 405 |
| | **3,886** | 8,045 |

(a) No provision for profits tax in Bermuda and Hong Kong has been made as the Group has no assessable profit in these jurisdictions for the six months ended 30 June 2010 (2009: nil).

(b) In accordance with the enterprise income tax laws in the PRC, Huada Electronics' applicable statutory tax rate is 25% from 1 January 2008. However, as Huada Electronics was certified as a high/new technology enterprise established in Beijing New Technology Industry Development Zone in the PRC in December 2008, the tax authorities approved Huada Electronics a 15% preferential tax rate which took effect from 1 January 2008.

## 8 Discontinued operation

On 9 November 2009, the Company entered into a sale and purchase agreement with P-Marshall Hong Kong Limited and Shenzhen SED Electronics Group Co., Ltd. for the disposal of the entire issued share capital of Sang Fei (BVI) for a cash consideration of HK$10 million. Sang Fei (BVI)'s principal asset is the holding of 65% equity interest in Sang Fei. Sang Fei engages in the manufacturing and sale of mobile handsets and other portable electronics products. The disposal was completed on 29 December 2009.

The operating loss of Sang Fei (BVI) and its subsidiaries for the six months ended 30 June 2009 amounted to HK$91,320,000 has been included in the loss from discontinued operation of the Group for the six months ended 30 June 2009. Note 3 sets out details of the operating results of the discontinued operation for the six months ended 30 June 2009.

## 9 Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Continuing operations** | | |
| Profit for the period from continuing operations attributable to shareholders of the Company | **26,498** | 23,848 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **1,691,560,000** | 1,477,240,000 |
| Basic/diluted earnings per share *(HK cents)* | **1.57** | 1.61 |
| **Discontinued operation** | | |
| (Loss) for the period from discontinued operation attributable to shareholders of the Company | **–** | (70,218) |
| Weighted average number of ordinary shares for the purposes of basic and diluted (loss) per share | **1,691,560,000** | 1,477,240,000 |
| Basic/diluted (loss) per share *(HK cents)* | **–** | (4.75) |
| **Continuing and discontinued operations** | | |
| Profit/(loss) for the period attributable to shareholders of the Company | **26,498** | (46,370) |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share | **1,691,560,000** | 1,477,240,000 |
| Basic/diluted earnings/(loss) per share *(HK cents)* | **1.57** | (3.14) |

(a) On 9 September 2009, 608,000,000 shares were allotted and issued to the then shareholders of Huada Electronics as consideration shares upon the completion of the Huada Acquisition. The 393,680,000 shares issued to China Huada are presented as if they had always been issued using the principles of merger accounting as prescribed in HKAG 5 (Note 1).

(b) Impact of exercise of share options are not included in the calculation of diluted earnings/(loss) per share because their exercise would result in an increase in earnings per share and a decrease in loss per share respectively and are anti-dilutive. Therefore, the basic and diluted earnings/(loss) per share for the six months ended 30 June 2010 and for the six months ended 30 June 2009 are the same.

## 10 Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

11 **Trade and other receivables**

The majority of the Group's sales are with credit terms of 30 to 135 days. Included in trade and other receivables are trade receivables of HK$267,971,000 (31 December 2009: HK$198,158,000) and their ageing analysis is as follows:

| | **30 June 2010 (Unaudited)** *HK$'000* | 31 December 2009 (Audited) *HK$'000* |
|---|---|---|
| Current to 30 days | **191,275** | 116,021 |
| 31-60 days | **38,826** | 21,422 |
| Over 60 days and within 1 year | **33,998** | 54,614 |
| Over 1 year | **3,872** | 6,101 |
| | **267,971** | 198,158 |

12 **Trade and other payables**

Included in trade and other payables are trade payables of HK$200,462,000 (31 December 2009: HK$122,834,000) and their ageing analysis is as follows:

| | **30 June 2010 (Unaudited)** *HK$'000* | 31 December 2009 (Audited) *HK$'000* |
|---|---|---|
| Current to 30 days | **63,858** | 63,251 |
| 31-60 days | **63,027** | 8,473 |
| Over 60 days | **73,577** | 51,110 |
| | **200,462** | 122,834 |

## BUSINESS REVIEW

During the period, the Group's continuing operations comprised the design, research and development and sale of integrated circuits. The Group discontinued its manufacturing and sale of mobile handsets and other portable electronics products business in December 2009. The analysis below represents only the continuing operations of the Group.

The Group's integrated circuits design business comprises the design of integrated circuits chips and the development of application system. Currently, our products are widely used in smart cards such as identity cards, social security cards, telecommunications cards and electronic payment cards. Our products are also applied in wireless local area networks ("WLAN") and application specific integrated circuits. For the six months ended 30 June 2010, the Group has obtained 9 patents, owned 4 computer software copyrights, and registered 3 integrated circuits layout designs.

During the period, the Group's revenue from continuing operations was HK$263.0 million, only 1.7% slightly lower than that of the corresponding period of last year. Although sales of chips for identity cards continued to drop for the six months ended 30 June 2010, such drop was offset by the growth in the sales of other smart card chips such as social security card chips and electronic payment card chips, mainly as a result of the Group being able to maintain its original market share in the identity card chips market while successfully diversified its business, extended its product application area and expanded into the smart card chips market for social security cards, telecommunications cards and electronic payment cards. For the six months ended 30 June 2010, sales of identity card chips dropped by 69.9% to HK$43.7 million, sales of social security card chips increased by 80.6% to HK$65.5 million, sales of fuel card chips increased by 207.1% to HK$32.9 million and sales of public utility card chips increased by 393.7% to HK$30.0 million. Despite fierce market competition during the period which resulted in a drop in product price, overall gross profit margin was maintained at 34.8%, which was in line with the corresponding period of last year, through effective control of the Group's cost of sales. Owing to the change of product mix and increase in market promotion expenses, selling and marketing costs for the period were HK$15.9 million, representing an increase of 1.6 times when comparing with the corresponding period of last year.

Administrative expenses increased by 2.9% to HK$54.7 million for the six months ended 30 June 2010. This is mainly attributable to the increase in daily running cost of the new office while other administrative expenses were effectively controlled. Research and development costs were HK$35.7 million in 2010 (2009: HK$35.5 million), which represented 13.6% of the revenue for the six months ended 30 June 2010 (2009: 13.3%). Research and development during the period was primarily focused on the more advanced smart card and WLAN chips products.

Government grant received decreased by 32.8% to HK$9.0 million for the six months ended 30 June 2010 resulted from less government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2010, the profit attributable to shareholders of the Company was HK$26.5 million (2009: loss of HK$46.4 million), and the basic earnings per share was HK1.57 cents (2009: loss per share of HK3.14 cents).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

## PROSPECTS

The world economy is in the slow recovery stage and the market still faces many uncertainties. The PRC market which the Group services is facing a very complicated situation, and there are many uncertainties in the market and macro environment. However, the Group believes that the changing business environment will bring the Group with new development opportunities. Given our unique market position, we believe that the market of the Group's products still has huge potential for development in this period which is full of competition and challenges.

Looking forward, the Group will continue to improve design standards of its integrated circuits products, strengthen fund management and cost control, continuously enhance productivity and efficiency, and expand market share at the same time. The Group will also leverage on its core strengths and competitive edges to adapt quickly and effectively to the changing market environment. In addition, the Group will actively seek new business cooperation for related business areas while consolidating its strength in the integrated circuits market. The management is confident that the Group will further capitalise on the growth of the PRC integrated circuits market and is entering a new era of achievement and growth.

## FINANCIAL REVIEW

The Group finances its operations primarily by internal resources and short term bank loans. At 30 June 2010, the Group had cash and cash equivalent amounted to HK$334.3 million, 59.9% of which was denominated in Renminbi, 37.1% in Hong Kong dollars and 3.0% in United States dollars (31 December 2009: HK$397.4 million, 65.8% of which was denominated in Renminbi, 31.8% in Hong Kong dollars and 2.4% in United States dollars).

At 30 June 2010, the Group had unsecured short term bank loans of HK$22.9 million, which were denominated in Renminbi (31 December 2009: HK$22.7 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 30 June 2010, committed banking facilities available to the Group but not drawn amounted to HK$45.9 million. At 30 June 2010, the Group did not have any pledged assets or guarantee (31 December 2009: nil). The Group's revenue are denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 30 June 2010, the Group had net current assets of HK$386.3 million (31 December 2009: HK$362.1 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 47.4% (31 December 2009: 44.8%).

At 30 June 2010, the Group did not have any contracted but not provided for capital commitments (31 December 2009: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liabilities at 30 June 2010 (31 December 2009: nil).

## EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2010, the Group had approximately 280 employees, the majority of whom were based in China. Employee benefit expenses during the period were HK$58.0 million.

The Group recognises the importance of high calibre and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are largely in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. Bonus and other merit payments are linked with the performance of the Group and of the individuals as incentive to optimise performance. The Company has in place a share option scheme, pursuant to which share options may be granted to selected personnel of the Group, with a view to encouraging employees to work towards enhancing the value of the Group.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares and the Company has not redeemed any of its shares during the six months ended 30 June 2010.

## CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

## AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli. The audit committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with management. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2010.

## PUBLICATION OF INTERIM REPORT

The 2010 interim report will be published on the website of the Company (www.cecholding.com) and on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course.

By Order of the Board
**China Electronics Corporation Holdings Company Limited**
**Fan Qingwu**
*Managing Director*

Hong Kong, 27 August 2010

*As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Xiong Qunli (Chairman) and Mr. Zhao Guiwu (Vice Chairman), two Executive Directors, namely Mr. Fan Qingwu (Managing Director) and Mr. Liu Jinping, and three Independent Non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Wong Po Yan and Mr. Yin Yongli.*

* *For identification purposes only*