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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of China Electronics Corporation Holdings Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Revenue	**574,586**	460,533
Cost of sales	**(362,099)**	(287,848)
Gross profit	**212,487**	172,685
Other gains – net	**18,328**	38,297
Research and development costs	**(93,935)**	(78,976)
Selling and marketing costs	**(32,517)**	(22,326)
Administrative expenses	**(42,870)**	(49,978)
Operating profit	**61,493**	59,702
Finance income – net	**1,633**	1,293
Profit before income tax	**63,126**	60,995
Income tax expense	**(3,185)**	(7,171)
Profit for the year from continuing operations	**59,941**	53,824
Discontinued operation		
Loss for the year from discontinued operation	**–**	(15,819)
Profit for the year	**59,941**	38,005
Attributable to:		
– Shareholders of the Company	**59,941**	41,072
– Non-controlling interests	**–**	(3,067)
	59,941	38,005

	Year ended 31 December	
	2010	2009
	HK cents	*HK cents*
Earnings per share		
From continuing and discontinued operations		
– Basic	**3.54**	2.66
– Diluted	**3.54**	2.66
From continuing operations		
– Basic	**3.54**	2.32
– Diluted	**3.54**	2.32
Dividends	**–**	–

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**59,941**	38,005
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of foreign operations	**8,517**	(7,242)
Total comprehensive income for the year	**68,458**	30,763
Attributable to:		
– Shareholders of the Company	**68,458**	33,830
– Non-controlling interests	**–**	(3,067)
	68,458	30,763

AUDITED CONSOLIDATED BALANCE SHEET

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**21,253**	22,334
Intangible assets	**3,955**	3,984
Deferred taxation assets	**20,999**	12,921
Interests in an associate	**523**	741
Available-for-sale financial assets	**2,361**	2,271
	49,091	42,251
Current assets		
Inventories	**261,312**	84,610
Trade and other receivables	**280,458**	208,509
Cash and cash equivalents	**267,285**	397,420
	809,055	690,539
Total assets	**858,146**	732,790
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Issued equity	**889,171**	889,171
Other reserves	**(341,371)**	(346,842)
Accumulated losses	**(75,013)**	(138,000)
Total equity	**472,787**	404,329
LIABILITIES		
Current liabilities		
Trade and other payables	**361,855**	305,746
Short term bank loans	**23,504**	22,715
Total liabilities	**385,359**	328,461
Total equity and liabilities	**858,146**	732,790
Net current assets	**423,696**	362,078
Total assets less current liabilities	**472,787**	404,329

GENERAL INFORMATION

China Electronics Corporation Holdings Company Limited was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company has its shares listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The ultimate holding company of the Company is China Electronics Corporation Limited ("CEC"), which is established in the People's Republic of China ("PRC").

The principal activities of the Group are the design, research and development and sale of integrated circuits.

BASIS OF PREPARATION

(a) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

These consolidated financial statements have also been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("HKAG 5") in accounting for the acquisition of the 64.75% equity interests of CEC Huada Electronic Design Co., Ltd ("Huada Electronics") in September 2009. Financial statements of Huada Electronics and its subsidiaries have been included in the consolidated financial statements of the Group as if the acquisition of the 64.75% equity interests of Huada Electronics had occurred at the previous balance sheet dates presented.

(b) New standards, amendments to standards and interpretations

During the year ended 31 December 2010, the Group has adopted all of the following new or revised Hong Kong Accounting Standards ("HKAS") and HKFRS, and amendments and interpretations on existing HKAS and HKFRS that are relevant to its operations and effective for the accounting period beginning on 1 January 2010:

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
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Annual Improvements Project	Improvements to HKFRSs 2009

The adoption of such standards did not have any significant effect on results or financial positions of the Group for the current year.

The Group has early adopted HKAS 24 (Revised) "Related Party Disclosures" for the current year's financial statements in advance of its effective date which is 1 January 2011. The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party.

At the date of authorisation of this consolidated financial statements, the following new or revised HKAS and HKFRS, amendments and interpretations on existing HKAS and HKFRS have been issued but are not yet effective:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues (effective from 1 February 2010)
HKAS 12 (Amendments)	Income Taxes (effective from 1 January 2012)
HKFRS 9	Financial Instruments (effective from 1 January 2013)
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010)

Other than the early adoption of HKAS 24 (Revised) "Related Party Disclosures" which is effective from 1 January 2011, the Group did not early adopt any of these new or revised HKAS and HKFRS, amendments and interpretations on existing HKAS and HKFRS. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Integrated circuits products	**574,586**	460,533
Discontinued operation		
"Philips" mobile handsets	**–**	1,113,972
Own-branded and other OEM/ODM/EMS mobile handsets	**–**	398,397
Multi-media players	**–**	446,903
	–	1,959,272

(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.

For the year ended 31 December 2009, the Group's discontinued operation had three reportable operating segments: *"Philips"* mobile handsets, own-branded and other OEM/ODM/EMS mobile handsets and multi-media players. Management assessed the performance of the operating segments based on segment results, which was measured by revenues and related material costs and contributable expenses. Segment information was 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 year ended 31 December 2009 and as follows:

	"Philips" **mobile handsets**	**Own-branded and other OEM/ODM/ EMS mobile handsets**	**Multi-media players**	**Total**
	2009	2009	2009	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,113,972	398,397	446,903	1,959,272
Segment (loss)/profit	(2,266)	10,931	6,308	14,973
Other gains – net				5,936
Unallocated costs				(99,678)
Finance costs – net				(29,253)
Loss before income tax				(108,022)

The revenues by location are as follows:

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Mainland China	**574,586**	460,533
Discontinued operation		
Mainland China	**–**	811,294
Hong Kong	**–**	672,882
Europe	**–**	395,432
Asia excluding Mainland China and Hong Kong	**–**	43,956
North America	**–**	35,708
	–	1,959,272

Total non-current assets by location are as follows:

	2010	2009
	HK$'000	*HK$'000*
Mainland China	**27,982**	29,112
Hong Kong	**110**	218
	28,092	29,330
Deferred taxation assets	**20,999**	12,921
Total non-current assets per consolidated balance sheet	**49,091**	42,251

OTHER GAINS – NET

	2010	2009
	HK$'000	*HK$'000*
Government grants	**18,519**	38,563
Share of (loss)/profit of an associate	**(227)**	246
Others	**36**	(512)
	18,328	38,297

EXPENSES BY NATURE

Expenses included in cost of sales, research and development costs, selling and marketing costs and administrative expenses are analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
Depreciation and amortisation expenses	**14,414**	5,034
Employee benefit expenses	**79,993**	78,871
Changes in inventories of finished goods and work in progress	**(184,918)**	31,636
Raw materials and consumables used	**536,289**	252,119
Impairment provision for receivables	**1,476**	1,618
Write-down of inventories to net realisable value	**8,216**	1,808
Operating lease expenses on property	**6,454**	3,274
Auditor's remuneration	**1,205**	2,157

FINANCE INCOME – NET

	2010	2009
	HK$'000	*HK$'000*
Interest income on short term deposits	**2,742**	3,568
Interest on bank loans	**(1,109)**	(2,275)
	1,633	1,293

TAXATION

Income tax expense

	2010	2009
	HK$'000	*HK$'000*
Current taxation		
– PRC enterprise income tax	**10,639**	9,723
Deferred taxation	**(7,454)**	(2,552)
	3,185	7,171

(a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit in Hong Kong during the year (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, Huada Electronics qualified as a "High/ New Technology Enterprise" and thus was granted a 15% preferential tax rate from 1 January 2008.

(c) Reconciliation between the taxation on the Group's profit before income tax and the theoretical taxation that would arise using the respective applicable statutory tax rates are as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**63,126**	60,995
Calculated at respective applicable statutory tax rates	**16,660**	16,209
Effect of tax concession	**(7,383)**	(4,781)
Research and development costs additional deductions	**(8,233)**	(9,872)
Expenses not deductible for taxation purposes	**344**	3,430
Tax losses for which no deferred taxation asset was recognised	**1,797**	2,185
Income tax expense	**3,185**	7,171

DISCONTINUED OPERATION

The Company completed the disposal of its manufacturing and sale of mobile handsets and other portable electronics products business at a cash consideration of HK$10 million on 29 December 2009 to a subsidiary of CEC.

The results and cash flows of the discontinued operation for the year ended 31 December 2009 (up to the date of disposal) are as follows:

	Year ended 31 December 2009 *HK$'000*
Loss for the year from discontinued operation	
Revenue	1,959,272
Costs and expenses	(2,043,977)
	(84,705)
Other gains – net	5,936
Finance costs – net	(29,253)
Loss before income tax	(108,022)
Income tax credit	15,043
Loss for the year	(92,979)
Gain on disposal of discontinued operation	77,160
Loss for the year from discontinued operation	(15,819)
Attributable to:	
– Shareholders of the Company	5,283
– Non-controlling interests	(21,102)
	(15,819)
Cash flows from discontinued operation	
Net cash generated from operating activities	73,117
Net cash used in investing activities	(40,005)
Net cash generated from financing activities	70,767
Net cash flows	103,879

Details of the gain and net cash outflow on disposal of the discontinued operation are as follows:

	2009
	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	(28,493)
Intangible assets	(9,932)
Deferred taxation assets	(64,374)
Inventories	(349,045)
Trade and other receivables	(436,743)
Financial assets at fair value through profit or loss	(4,109)
Restricted bank deposits	(52,327)
Cash and cash equivalents	(219,487)
Trade and other payables	657,716
Short term bank loans	521,580
Provision for warranty	25,429
	40,215
Release of translation reserve	29,653
Sale consideration less transaction costs	7,292
Gain on disposal of subsidiaries	77,160
Net cash outflow from disposal:	
Cash consideration received less transaction costs	3,424
Cash and cash equivalents disposed of	(219,487)
	(216,063)

EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Profit for the year from continuing operations attributable to shareholders of the Company	**59,941**	35,789
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,691,560,000**	1,544,178,301
Basic/diluted earnings per share (HK cents)	**3.54**	2.32
Discontinued operation		
Profit for the year from discontinued operation attributable to shareholders of the Company	**–**	5,283
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,691,560,000**	1,544,178,301
Basic/diluted earnings per share (HK cents)	**–**	0.34
Continuing and discontinued operations		
Profit for the year attributable to shareholders of the Company	**59,941**	41,072
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,691,560,000**	1,544,178,301
Basic/diluted earnings per share (HK cents)	**3.54**	2.66

For the year ended 31 December 2009 and 31 December 2010, impact of exercise of share options are not included in the calculation of diluted earnings per share because their exercise would result in an increase in earnings per share, and are anti-dilutive.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2010 (2009: nil).

TRADE RECEIVABLES

Included in trade and other receivables are trade receivables of HK$268,312,000 (2009: HK$198,158,000). The majority of the Group's sales are with credit terms of 30 days to 135 days. The remaining amounts are due immediately after the delivery of goods. At 31 December 2010, the ageing analysis of the gross trade receivables are as follows:

	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	**113,678**	116,021
31 – 60 days	**56,515**	21,422
Over 60 days and within 1 year	**92,936**	54,614
Over 1 year	**5,183**	6,101
	268,312	198,158

TRADE PAYABLES

Included in trade and other payables are trade payables of HK$201,830,000 (2009: HK$122,834,000) and their ageing analysis are as follows:

	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	**100,480**	63,251
31 – 60 days	**20,836**	8,473
Over 60 days	**80,514**	51,110
	201,830	122,834

BUSINESS REVIEW

During the year, 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 year ended 31 December 2010, the Group has obtained 23 patents, owned 13 computer software copyrights and registered 12 integrated circuits layout designs.

During the year, the Group's revenue from continuing operations was HK$574.6 million, representing an increase of 24.8% when comparing with the corresponding period of last year. For the year ended 31 December 2010, sales of public utility card chips increased by 10.7 times to HK$132.7 million, sales of social security card chips increased by 66.8% to HK$124.8 million and sales of fuel card chips increased by 102.9% to HK$42.3 million, while sales of identity card chips dropped by 53% to HK$110.3 million. Despite fierce market competition during the year which resulted in a drop in product price, overall gross profit margin was maintained at 37%, which was in line with the corresponding period of last year, through strengthening research and development for new products, proactively extending into the smart card chips market for social security cards, telecommunications cards and electronic payment cards and strictly controlling costs. Owing to the change of product mix and increase in sales and marketing activities, selling and marketing costs for the year were HK$32.5 million, representing an increase of 45.6% when comparing with the corresponding period of last year.

Administrative expenses decreased by 14.2% to HK$42.9 million for the year ended 31 December 2010. The decrease was mainly attributable to an one-off relocation expenses for moving into new office in 2009, while other administrative expenses were effectively controlled. Research and development costs were HK$93.9 million in 2010 (2009: HK$79 million), which represented 16.3% of the revenue for the year ended 31 December 2010 (2009: 17.1%). Research and development during the year was primarily focused on the more advanced smart card and WLAN chips products.

Government grant received decreased by 52% to HK$18.5 million for the year ended 31 December 2010 resulted from less government subsidies for research and development costs incurred by the Group in 2010.

For the year ended 31 December 2010, the profit attributable to shareholders of the Company was HK$59.9 million (2009: HK$41.1 million), and the basic earnings per share was HK3.54 cents (2009: HK2.66 cents).

The Board does not recommend the payment of final dividend for the year ended 31 December 2010 (2009: nil).

OUTLOOK

The Group will continue to focus on enhancing its core business in the integrated circuits design technology and to stand as an industrial leader in the integrated circuits chips design and total solution provider for wireless communications and smart card application. The Group will capture the market development and further diversify and expand in the social security cards, telecommunications cards, electronic payment cards and WLAN chips market, so as to maintain its growth.

At present, the underlying impact of the global financial crisis still causes ripple on the global market, resulting in different recovery pace in different markets. It is expected that the PRC economy will continue with its growth momentum in 2011 and provide the Group with a favourable operating environment. The Group will continue to leverage on the strength of its expertise in design and research and development of integrated circuits, strengthen its technology innovation and accumulation, and develop more high-quality products to satisfy our customers' needs. In addition, with the support from our controlling shareholder, CEC, the Group will diversify and extend its business platform through various channels such as merger and acquisition, restructuring and business cooperation, so as to add value to the business, improve the profitability and bring rewarding returns to our shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

The Group finances its operations primarily by internal resources and short term bank loans. At 31 December 2010, the Group had cash and cash equivalent amounted to HK$267.3 million, 74% of which was denominated in Renminbi, 22.3% in Hong Kong dollars and 3.7% in United States dollars (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 31 December 2010, the Group had short term bank loans of HK$23.5 million, which were denominated in Renminbi (2009: HK$22.7 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 31 December 2010, committed borrowing facilities available to the Group but not drawn amounted to HK$47 million. 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 31 December 2010, the Group had net current assets of HK$423.7 million (2009: HK$362.1 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 44.9% (2009: 44.8%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2010, the Group had approximately 280 employees, the majority of whom were based in PRC. Employee benefit expenses during the year were HK$80 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.

AUDIT COMMITTEE

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 the management. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2010.

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 year ended 31 December 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2010.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2010 annual 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
Xiong Qunli
Chairman

Hong Kong, 25 February 2011

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*