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)

2011 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 2011 together with comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**661,563**	262,998
Cost of sales		**(455,838)**	(171,525)
Gross profit		**205,725**	91,473
Other gains – net	*4*	**14,819**	9,787
Research and development costs		**(48,736)**	(35,978)
Selling and marketing costs		**(27,283)**	(15,915)
Administrative expenses		**(33,192)**	(19,512)
Operating profit		**111,333**	29,855
Finance income – net	*5*	**182**	529
Profit before taxation	*6*	**111,515**	30,384
Taxation	*7*	**(18,287)**	(3,886)
Profit for the period		**93,228**	26,498

* *For identification purpose only*

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Attributable to shareholders of the Company		**93,228**	26,498
		HK cents	*HK cents*
Earnings per share	*8*		
– Basic		**5.51**	1.57
– Diluted		**5.51**	1.57
Dividends	*9*	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**93,228**	26,498
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of foreign operations	**8,604**	2,017
Total comprehensive income for the period	**101,832**	28,515
Attributable to shareholders of the Company	**101,832**	28,515

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2011

	Note	**30 June 2011 (Unaudited) *HK$'000***	31 December 2010 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**17,762**	21,253
Intangible assets		**8,530**	3,955
Deferred tax assets		**28,356**	20,999
Interests in an associate		**–**	523
Available-for-sale financial assets		**2,405**	2,361
		57,053	49,091
Current assets			
Inventories		**235,972**	261,312
Trade and other receivables	*10*	**605,079**	280,458
Cash and cash equivalents		**304,096**	267,285
		1,145,147	809,055
Total assets		**1,202,200**	858,146
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Issued equity		**889,171**	889,171
Other reserves		**(332,767)**	(341,371)
Retained earnings/(accumulated losses)		**18,215**	(75,013)
Total equity		**574,619**	472,787
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**603,532**	361,855
Short term bank loans		**24,049**	23,504
Total liabilities		**627,581**	385,359
Total equity and liabilities		**1,202,200**	858,146
Net current assets		**517,566**	423,696
Total assets less current liabilities		**574,619**	472,787

Notes:

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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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 2010. In 2011, the Group has adopted the following new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS that are relevant to its operations and effective for the accounting period beginning on 1 January 2011:

HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Improvements to HKFRSs 2010

Adoption of such amendments and interpretation to existing standards did not have any significant effect on results or financial position of the Group for the current period.

The Group did not early adopt any of the new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS 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	
	2011	2010
	HK$'000	*HK$'000*
Integrated circuits products	**661,563**	262,998

(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 operations are operated and managed as a single segment, accordingly no operating segment information is presented.

In terms of geographical location, 100% of the Group's revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

4 Other gains – net

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Government grants	**12,088**	8,954
Share of (loss)/profit of an associate	**(253)**	7
Gain on disposal of an associate	**1,053**	–
Exchange gains	**1,124**	807
Others	**807**	19
	14,819	9,787

During the period, the Group disposed of its entire interest in an associate to an independent third party at a consideration of RMB1,100,000 (equivalent to approximately HK$1,323,000).

5 Finance income – net

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest income on short term deposits	**931**	1,150
Interest on bank loans	**(749)**	(621)
	182	529

6 Profit before taxation

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,775**	3,882
Amortisation of intangible assets	**3,628**	2,033
Written down of inventories to net realisable value	**17,067**	514
Impairment provision for trade receivables	**6,587**	904
Auditor's remuneration	**432**	344
Operating lease expenses on property and equipment	**3,838**	3,838

7 Taxation

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current taxation		
– PRC enterprise income tax	**25,114**	4,852
Deferred taxation	**(6,827)**	(966)
	18,287	3,886

(a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit in Hong Kong for the six months ended 30 June 2011 (2010: nil).

(b) In accordance with the enterprise income tax laws in the PRC, CEC Huada Electronic Design Co., Ltd ("Huada Electronics")'s applicable statutory tax rate is 25% from 1 January 2008. However, Huada Electronics qualified as a "High/New Technology Enterprise" ("HNTE") and thus was granted a 15% preferential tax rate from 1 January 2008 to 31 December 2010.

Huada Electronics has filed the application documents for HNTE qualification re-assessment with the local government authorities. The Board is of the view that Huada Electronics will pass the re-assessment and therefore the preferential tax rate of 15% has been used to calculate the income tax expense for the six months ended 30 June 2011 and the deferred tax assets at 30 June 2011.

8 Earnings per share

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period attributable to shareholders of the Company	**93,228**	26,498
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,691,560,000**	1,691,560,000
Earnings per share *(HK cents)*		
– Basic	**5.51**	1.57
– Diluted *(Notes a and b)*	**5.51**	1.57

(a) The Company did not have any potential ordinary shares outstanding for the six months ended 30 June 2011. Diluted earnings per share is therefore equal to basic earnings per share.

(b) Impact of exercise of share options were not included in the calculation of diluted earnings per share for the six months ended 30 June 2010 because their exercise would result in an increase in earnings per share and were anti-dilutive.

9 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: nil).

10 Trade and other receivables

The majority of the Group's sales are with credit terms of 30 days to 135 days. Included in trade and other receivables are trade receivables of HK$592,019,000 (31 December 2010: HK$263,620,000) and their ageing analysis is as follows:

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Current to 30 days	**279,787**	113,678
31-60 days	**85,658**	56,515
Over 60 days and within 1 year	**225,142**	92,936
Over 1 year	**1,432**	491
	592,019	263,620

11 Trade and other payables

Included in trade and other payables are trade payables of HK$361,571,000 (31 December 2010: HK$201,830,000) and their ageing analysis is as follows:

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Current to 30 days	**149,487**	100,480
31-60 days	**50,329**	20,836
Over 60 days	**161,755**	80,514
	361,571	201,830

BUSINESS REVIEW

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 2011, the Group has obtained 5 patents and registered 5 integrated circuits layout designs.

Revenue for the six months ended 30 June 2011 amounted to HK$661.6 million, representing an increase of 152% when comparing with the corresponding period of last year. For the six months ended 30 June 2011, sales of a number of our main products recorded significant increase when comparing with the corresponding period of last year. In particular, sales of telecommunications card chips increased by 280% to HK$203.5 million, sales of social security card chips increased by 173% to HK$178.6 million, sales of public utility card chips increased by 207% to HK$92.3 million and sales of identity card chips increased by 73.2% to HK$75.6 million. During the period, overall gross profit margin, still maintained at a relatively high level, dropped 3.7% to 31.1% mainly due to faster growth in lower gross profit margin telecommunications card chips business than that of the other smart card chips business.

Selling and marketing costs for the period were HK$27.3 million. Despite sales volume for the period has more than trebled when comparing with the corresponding period of last year, selling and marketing costs were effectively controlled and recorded a moderate increase of 71.4% when comparing with the corresponding period of last year.

Administrative expenses increased by 70.1% to HK$33.2 million for the six months ended 30 June 2011. This was mainly attributable to the rising in daily running costs and an increase of impairment provision for trade receivables. Research and development costs were HK$48.7 million in 2011 (2010: HK$36 million), which represented 7.4% of the revenue for the six months ended 30 June 2011 (2010: 13.7%). Research and development during the period was primarily focused on the more advanced electronic payment smart card and high frequency RFID ("radio frequency identification") chips products.

Government grants received increased by 35% to HK$12 million for the six months ended 30 June 2011 resulted from more government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2011, the profit attributable to shareholders of the Company was HK$93.2 million (2010: HK$26.5 million), and the basic earnings per share was HK5.51 cents (2010: HK1.57 cents).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: nil).

PROSPECTS

The PRC smart cards market will continue to sustain a stable and rapid development trend. 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; in financial field, the PRC EMV migration (changeover from magnetic stripe card to smart IC card for PRC banking cards) has entered into the substantive acceleration stage; in governmental field, the social security cards are issued intensively and massively in various provinces and municipalities; 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. We are full of confidence that the Group can capture the growth opportunities in the smart cards market in the PRC and continue to maintain our leading position in the industry.

Looking forward, the Group will continuously increase the investment in research and development, enhance the design standard of smart card chips, strengthen the efforts in operation management and cost control, explore market application opportunities of smart cards in various industries such as financial industry and transportation industry, while consolidating its dominant position in the social security cards and identity cards market; and will actively seek to initiate development in the related business areas.

FINANCIAL REVIEW

The Group finances its operations primarily by internal resources and short term bank loans. At 30 June 2011, the Group had cash and cash equivalents amounted to HK$304.1 million, 65% of which was denominated in Renminbi, 0.4% in Hong Kong dollars and 34.6% in United States dollars (31 December 2010: HK$267.3 million, 74% of which was denominated in Renminbi, 22.3% in Hong Kong dollars and 3.7% in United States dollars).

At 30 June 2011, the Group had unsecured short term bank loans of HK$24 million, which were denominated in Renminbi (31 December 2010: HK$23.5 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 30 June 2011, committed banking facilities available to the Group but not drawn amounted to HK$24 million. At 30 June 2011, the Group did not have any pledged assets or guarantee (31 December 2010: nil). The Group's revenue are mainly 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 2011, the Group had net current assets of HK$517.6 million (31 December 2010: HK$423.7 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 52.2% (31 December 2010: 44.9%).

At 30 June 2011, the Group did not have any material capital commitments (31 December 2010: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liabilities at 30 June 2011 (31 December 2010: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2011, the Group had approximately 290 employees, the majority of whom were based in PRC. Employee benefit expenses during the period were HK$48.3 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 had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the six months ended 30 June 2011.

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 2011.

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 the management. The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2011.

PUBLICATION OF INTERIM REPORT

The 2011 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
Rui Xiaowu
Chairman

Hong Kong, 26 August 2011

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Rui Xiaowu (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.