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 2011

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 2011 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**995,111**	574,586
Cost of sales	**(665,832)**	(362,099)
Gross profit	**329,279**	212,487
Other gains – net	**31,244**	21,276
Selling and marketing costs	**(41,289)**	(32,517)
Administrative expenses	**(189,287)**	(139,753)
Operating profit	**129,947**	61,493
Finance income – net	**1,282**	1,633
Profit before taxation	**131,229**	63,126
Taxation	**(16,570)**	(3,185)
Profit for the year	**114,659**	59,941
Attributable to owners of the Company	**114,659**	59,941
Dividends	**–**	–
	HK cents	*HK cents*
Earnings per share		
– Basic	**6.78**	3.54
– Diluted	**6.78**	3.54

* *For identification purpose only*

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**114,659**	59,941
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of foreign operations	**20,133**	8,517
Total comprehensive income for the year	**134,792**	68,458
Attributable to owners of the Company	**134,792**	68,458

AUDITED CONSOLIDATED BALANCE SHEET

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**16,988**	21,253
Intangible assets	**4,281**	3,955
Deferred tax assets	**28,560**	20,999
Investment in an associate	**–**	523
Available-for-sale financial assets	**2,467**	2,361
	52,296	49,091
Current assets		
Inventories	**268,457**	261,312
Trade and other receivables	**404,672**	280,458
Cash and cash equivalents	**329,453**	267,285
	1,002,582	809,055
Total assets	**1,054,878**	858,146
EQUITY		
Capital and reserves attributable to owners of the Company		
Issued equity	**889,171**	889,171
Other reserves	**(321,238)**	(341,371)
Retained earnings/(accumulated losses)	**39,646**	(75,013)
Total equity	**607,579**	472,787
LIABILITIES		
Current liabilities		
Trade and other payables	**422,629**	361,855
Short term bank loans	**24,670**	23,504
Total liabilities	**447,299**	385,359
Total equity and liabilities	**1,054,878**	858,146
Net current assets	**555,283**	423,696
Total assets less current liabilities	**607,579**	472,787

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, 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" 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 2011, the Group has adopted all of the following new or revised Hong Kong Accounting Standards ("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 (effective from 1 July 2010)
Annual Improvements Project	Improvements to HKFRSs 2010

The 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 year.

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

HKAS 1 (amendment)	Presentation of Financial Statements (effective from 1 January 2013)
HKAS 12 (amendment)	Income Taxes (effective from 1 January 2012)
HKAS 27 (revised 2011)	Separate Financial Statements (effective from 1 January 2013)
HKAS 28 (revised 2011)	Associates and Joint Ventures (effective from 1 January 2013)
HKFRS 7 (amendment)	Disclosure – Transfer of Financial Assets (effective from 1 January 2012)
HKFRS 9	Financial Instruments (effective from 1 January 2015)
HKFRS 10	Consolidated Financial Statements (effective from 1 January 2013)
HKFRS 11	Joint Arrangements (effective from 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective from 1 January 2013)
HKFRS 13	Fair Value Measurement (effective from 1 January 2013)

The Group did not early adopt any of these new or revised HKAS and HKFRS, amendments and interpretation to 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

	2011	2010
	HK$'000	*HK$'000*
Integrated circuits products	**995,111**	574,586

(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 segment information is presented.

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

Total non-current assets by location are as follows:

	2011	2010
	HK$'000	*HK$'000*
PRC	**22,908**	27,982
Hong Kong	**828**	110
	23,736	28,092
Deferred tax assets	**28,560**	20,999
Total non-current assets per consolidated balance sheet	**52,296**	49,091

OTHER GAINS – NET

	2011	2010
	HK$'000	*HK$'000*
Government grants	**28,772**	18,519
Share of loss of an associate	**(253)**	(227)
Gain on disposal of an associate	**1,053**	–
Gain/(Loss) on disposal of property, plant and equipment	**619**	(59)
Exchange gains	**585**	2,948
Others	**468**	95
	31,244	21,276

For the year ended 31 December 2011, 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) and recognised gain on disposal of HK$1,053,000.

EXPENSES BY NATURE

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

	2011	2010
	HK$'000	*HK$'000*
Depreciation and amortisation expenses	**14,363**	14,414
Employee benefit expenses	**101,462**	79,993
Changes in inventories of finished goods and work in progress	**(16,165)**	(184,918)
Raw materials and consumables used	**668,807**	536,289
Research and development costs*	**138,969**	93,935
Impairment provision for trade receivables	**14,071**	1,476
Write-down of inventories to net realisable value	**8,345**	8,216
Operating lease expenses on property	**6,459**	6,454
Auditor's remuneration	**1,585**	1,205

* *Research and development costs for the year ended 31 December 2010 have been reclassified to administrative expenses to be consistent with current year's presentation.*

FINANCE INCOME – NET

	2011	2010
	HK$'000	*HK$'000*
Interest income on short term deposits	**2,928**	2,742
Interest on bank loans	**(1,646)**	(1,109)
	1,282	1,633

TAXATION

	2011	2010
	HK$'000	*HK$'000*
Current taxation		
– PRC enterprise income tax	**22,955**	10,639
Deferred taxation	**(6,385)**	(7,454)
	16,570	3,185

(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 (2010: 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 to 31 December 2013.

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

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**131,229**	63,126
Calculated at respective applicable statutory tax rates	**33,542**	16,660
Effect of tax concession	**(14,412)**	(7,383)
Research and development costs additional deductions	**(5,567)**	(8,233)
Expenses not deductible for taxation purposes	**520**	344
Utilisation of previously unrecognised tax losses	**(17)**	–
Tax losses for which no deferred tax asset was recognised	**2,504**	1,797
Taxation expense	**16,570**	3,185

EARNINGS PER SHARE

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

	2011	2010
Profit for the year attributable to owners of the Company *(HK$'000)*	**114,659**	59,941
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	**6.78**	3.54
– Diluted *(Notes (a) and (b))*	**6.78**	3.54

(a) The Company did not have any potential ordinary shares outstanding for the year ended 31 December 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 year ended 31 December 2010 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 2011 (2010: nil).

TRADE RECEIVABLES

Included in trade and other receivables are trade receivables of HK$398,475,000 (2010: HK$263,620,000). 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 2011, the ageing analysis of the trade receivables (net of provision for impairment) are as follows:

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**270,298**	113,678
31 – 60 days	**24,256**	56,515
Over 60 days and within 1 year	**102,117**	92,936
Over 1 year	**1,804**	491
	398,475	263,620

TRADE PAYABLES

Included in trade and other payables are trade payables of HK$218,966,000 (2010: HK$201,830,000) and their ageing analysis are as follows:

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	**133,763**	100,480
31 – 60 days	**25,739**	20,836
Over 60 days	**59,464**	80,514
	218,966	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 mainly used in smart cards such as identity cards, social security cards, telecommunications cards and electric cards. Our products are also applied in wireless local area networks. For the year ended 31 December 2011, the Group has obtained 17 new patents, and registered another 16 computer software copyrights and 11 integrated circuits layout designs.

The Group's revenue for the year ended 31 December 2011 amounted to HK$995.1 million, representing an increase of 73.2% when comparing with the corresponding period of last year. For the year ended 31 December 2011, sales of a number of our main products recorded significant increase with more balance product mix when comparing with the corresponding period of last year. In particular, sales of telecommunications card chips increased by 180.2%, sales of social security card chips increased by 82.9%, sales of identity card chips increased by 58.4%, with the total sale revenue of the aforesaid three types of products amounting to HK$706.4 million. During the year, overall gross profit margin, which was still maintained at industry level, dropped 3.9% to 33.1% 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 year were HK$41.3 million. Despite sales volume for the year has more than double when comparing with the corresponding period of last year, selling and marketing costs were effectively controlled and recorded a moderate increase of 27% when comparing with the corresponding period of last year.

Administrative expenses increased by 35.4% to HK$189.3 million for the year ended 31 December 2011. This was mainly attributable to the increase in research and development costs. Research and development costs were HK$139 million in 2011 (2010: HK$93.9 million), which represented 14% of the revenue for the year ended 31 December 2011 (2010: 16.3%). Research and development during the year primarily focused on the EMV card, RFID ("radio frequency identification") and mobile payment card chips products.

Government grants received increased by 55.4% to HK$28.8 million for the year ended 31 December 2011 resulted from more government subsidies for research and development costs incurred by the Group in 2011.

For the year ended 31 December 2011, the profit attributable to owners of the Company was HK$114.7 million (2010: HK$59.9 million), and the basic earnings per share was HK6.78 cents (2010: HK3.54 cents).

The Board does not recommend the payment of final dividend for the year ended 31 December 2011 (2010: nil).

OUTLOOK

Looking forward into 2012, with increasing focus in developing the telecommunications, social security and information security sectors domestically, the overall market size of the PRC smart cards industry will continue its growth momentum in 2012, nevertheless, as the market is being affected by both international and domestic uncertain economic conditions, the pace of market growth may slow down and market price competition will further intensify. Facing such complicated external environment, the Group, under China Electronics Corporation Limited's strategy of "Further strengthening the strategic position of our principal businesses in the development of the PRC, optimising resources allocation, creating synergy across sectors", will continue to leverage on the strength of its expertise, deepening its technology innovation and accumulation, and through various channels such as merger and acquisition, restructuring and business cooperation as well as inducing high calibre team, so as to expand its business coverage, extend its industry chain, add value to the business, improve the profitability, accelerate future growth momentum 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 2011, the Group had cash and cash equivalents amounted to HK$329.5 million, 68% of which was denominated in Renminbi, 31.8% in United States dollars and 0.2% in Hong Kong dollars (2010: HK$267.3 million, 74% of which was denominated in Renminbi, 3.7% in United States dollars and 22.3% in Hong Kong dollars).

At 31 December 2011, the Group had short term bank loans of HK$24.7 million, which were denominated in Renminbi (2010: HK$23.5 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 31 December 2011, committed borrowing facilities available to the Group but not drawn amounted to HK$49.3 million. 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 31 December 2011, the Group had net current assets of HK$555.3 million (2010: HK$423.7 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 42.4% (2010: 44.9%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2011, the Group did not has any material capital commitment (2010: nil) for the acquisition of fixed assets and intangible assets. The Group did not has any material contingent liability at 31 December 2011 (2010: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2011, the Group had approximately 290 employees, the majority of whom were based in PRC. Employee benefit expenses during the year were HK$101.5 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 consolidated financial statements of the Group for the year ended 31 December 2011.

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 2011.

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 2011.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 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 2011 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
Rui Xiaowu
Chairman

Hong Kong, 27 February 2012

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.