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)

2012 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 2012 together with comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2012

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**611,317**	661,563
Cost of sales		**(378,643)**	(455,838)
Gross profit		**232,674**	205,725
Other gains – net	*4*	**21,981**	14,819
Selling and marketing costs		**(25,422)**	(27,283)
Administrative expenses	*6*	**(94,492)**	(81,928)
Operating profit		**134,741**	111,333
Finance income – net	*5*	**813**	182
Profit before taxation	*6*	**135,554**	111,515
Taxation	*7*	**(21,691)**	(18,287)
Profit for the period		**113,863**	93,228
Attributable to owners of the Company		**113,863**	93,228
Dividends	*8*	**–**	–
		HK cents	*HK cents*
Earnings per share	*9*		
– Basic		**6.73**	5.51
– Diluted		**6.73**	5.51

* *For identification purpose only*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**113,863**	93,228
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of foreign operations	**(3,229)**	8,604
Total comprehensive income for the period	**110,634**	101,832
Attributable to owners of the Company	**110,634**	101,832

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

At 30 June 2012

	Note	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**22,415**	16,988
Intangible assets		**8,288**	4,281
Deferred tax assets		**36,513**	28,560
Available-for-sale financial assets		**2,453**	2,467
		69,669	52,296
Current assets			
Inventories		**261,001**	268,457
Trade and other receivables	*10*	**605,245**	404,672
Cash and cash equivalents		**387,094**	329,453
		1,253,340	1,002,582
Total assets		**1,323,009**	1,054,878
EQUITY			
Equity attributable to owners of the Company			
Issued equity		**889,171**	889,171
Other reserves		**(324,467)**	(321,238)
Retained earnings		**153,509**	39,646
Total equity		**718,213**	607,579
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**603,569**	422,629
Short term bank loans		**1,227**	24,670
Total liabilities		**604,796**	447,299
Total equity and liabilities		**1,323,009**	1,054,878
Net current assets		**648,544**	555,283
Total assets less current liabilities		**718,213**	607,579

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 2011, 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 2011. In 2012, the Group has adopted the following amendments to existing HKAS and HKFRS that are relevant to its operations and effective for the accounting period beginning on 1 January 2012:

HKAS 12 (amendment)	Income Taxes
HKFRS 7 (amendment)	Disclosure – Transfer of Financial Assets

Adoption of such amendments 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	
	2012	2011
	HK$'000	*HK$'000*
Integrated circuits products	**611,317**	661,563

(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, nearly 100% of the Group's revenue is attributable to the market in the People's Republic of China (the "PRC") and over 90% of the Group's non-current assets are located in the PRC.

4 Other gains – net

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Government grants	**24,229**	12,088
Share of loss of an associate	**–**	(253)
Gain on disposal of an associate	**–**	1,053
Exchange (losses)/gains	**(319)**	1,124
Others	**(1,929)**	807
	21,981	14,819

During the six months ended 30 June 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.

5 Finance income – net

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interest income on short term deposits	**1,323**	931
Interest on bank loans	**(510)**	(749)
	813	182

6 Profit before taxation

The Group's profit before taxation has been arrived at after charging/(crediting) the following:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**3,376**	2,775
Amortisation of intangible assets	**4,862**	3,628
Research and development costs*	**86,166**	48,736
Written down of inventories to net realisable value	**15,235**	17,067
(Reversal of)/Impairment provision for trade receivables	**(9,423)**	6,587
Auditor's remuneration	**414**	376
Operating lease expenses on property and equipment	**5,244**	3,838

* *Research and development costs for the six months ended 30 June 2011 have been reclassified to administrative expenses to be consistent with current period's presentation.*

7 Taxation

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Current taxation		
– PRC enterprise income tax	**29,827**	25,114
Deferred taxation	**(8,136)**	(6,827)
	21,691	18,287

(a) No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profit in Hong Kong for the six months ended 30 June 2012 (2011: 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" and thus was granted a 15% preferential tax rate from 1 January 2008 to 31 December 2013.

8 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (2011: nil).

9 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	
	2012	2011
Profit for the period attributable to owners of the Company *(HK$'000)*	**113,863**	93,228
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	**6.73**	5.51
– Diluted *(Note (a))*	**6.73**	5.51

(a) The Company did not have any potential ordinary share outstanding for the six months ended 30 June 2012 (2011: nil). Diluted earnings per share is therefore equal to basic earnings per share.

10 Trade and other receivables

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. Included in trade and other receivables are trade receivables (net of provision for impairment) of HK$595,579,000 (31 December 2011: HK$398,475,000) and their ageing analysis is as follows:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Current to 30 days	**214,926**	270,298
31-60 days	**104,408**	24,256
Over 60 days and within 1 year	**271,998**	102,117
Over 1 year	**4,247**	1,804
	595,579	398,475

11 Trade and other payables

Included in trade and other payables are trade payables of HK$339,223,000 (31 December 2011: HK$218,966,000) and their ageing analysis is as follows:

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Current to 30 days	**148,570**	133,763
31-60 days	**82,337**	25,739
Over 60 days	**108,316**	59,464
	339,223	218,966

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 six months ended 30 June 2012, the Group has obtained 14 new patents.

Due to the further intensification of market price competition in 2012, the average selling prices of integrated circuits chip products were generally lower when comparing with those of the 2011. The Group on one hand adjusted its product mix in its telecommunications card chips business and concentrated on products which have a lower selling price per unit but better gross profit margin, also stepped up its effort in cost control and expanded the market share of its products. Through successfully boosting the sales of a number of our main products, the overall sales volume recorded a moderate increase during the six months ended 30 June 2012 and partially compensated the impact of the decrease in the average selling prices of integrated circuits chip products on the revenue for the period. Revenue for the six months ended 30 June 2012 amounted to HK$611.3 million, representing a moderate decrease of 7.6% when comparing with the corresponding period of last year and when comparing with the decrease in the average selling prices of integrated circuits chip products in 2012. As the combined effects of the improvement on the product mix of the Group, increase in sales volume and effective cost control had out-weighed the impact of the decrease in the average selling prices of integrated circuits chip products on the gross profit, the gross profit increased by 13.1% to HK$232.7 million for the six months ended 30 June 2012. During the period, the overall gross profit margin, which was still maintained at industry level, increased 7% to 38.1%.

Selling and marketing costs for the six months ended 30 June 2012 amounted to HK$25.4 million, representing a decrease of 6.8% when comparing with the corresponding period of last year. Selling and marketing costs decreased as a result of lower revenue.

Administrative expenses increased by 15.3% to HK$94.5 million for the six months ended 30 June 2012. This was mainly attributable to the increase in research and development costs, the reversal of provision for trade receivables and the decrease in other administrative expenses resulting from streamlining its administrative team. Research and development costs were HK$86.2 million in 2012 (2011: HK$48.7 million), which represented 14.1% of the revenue for the six months ended 30 June 2012 (2011: 7.4%). Research and development during the period primarily focused on the EMV card, mobile payment card and RFID ("radio frequency identification") chip products.

Government grants received increased by 100% to HK$24.2 million for the six months ended 30 June 2012 resulted from more government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2012, the profit attributable to owners of the Company was HK$113.9 million (2011: HK$93.2 million), and the basic earnings per share was HK6.73 cents (2011: HK5.51 cents).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (2011: nil).

OUTLOOK

At present, the application of smart cards in the PRC has penetrated into various trades and industries in the national economy. According to the statistics, smart cards applied in sectors such as telecommunications, social security, information security, urban construction, public health and financial services accounted for about 80% of the domestic smart card market, and this is the main driving force to promote the development of the domestic smart card market.

With the continuing increase in investment in the areas of social security, public health and financial services domestically, the overall market size of the smart card industry in the PRC is expected to grow continuously in this year. In particular, the demand for smart cards such as telecommunications cards, social security cards, petrol payment cards and electric cards will achieve steady growth. At the same time, amid a slowing down in the pace of economic growth in the PRC caused by the faltering of the US and European economies, and coupled with the rising in the labour and material costs, the pace of growth in the smart card market may slow down and product price competition may further intensify.

Looking forward, the Group will continue to increase investment in technology, persist in independent technology innovation and accumulation, improve its product mix, strengthen its operation management and cost control, consolidate its market leadership in sectors of social security cards, telecommunications cards, identity cards, petrol payment cards, etc.; and actively explore market application opportunities in the sectors of EMV cards and transportation cards. At the same time, the Group will also actively explore and develop new business areas and industry coverage, strive to capture the development opportunities in the smart card market and other related sectors in the PRC, so as to bring better returns to our shareholders.

FINANCIAL REVIEW

The Group finances its operations primarily by internal resources and short term bank loans. At 30 June 2012, the Group had cash and cash equivalents amounted to HK$387.1 million, 72% of which was denominated in Renminbi, 27.8% in United States dollars and 0.2% in Hong Kong dollars (31 December 2011: HK$329.5 million, 68% of which was denominated in Renminbi, 31.8% in United States dollars and 0.2% in Hong Kong dollars).

At 30 June 2012, the Group had unsecured short term bank loans of HK$1.2 million, which were denominated in Renminbi (31 December 2011: HK$24.7 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 30 June 2012, committed borrowing facilities available to the Group but not drawn amounted to HK$170.6 million. At 30 June 2012, the Group did not have any pledged asset or guarantee (31 December 2011: 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 2012, the Group had net current assets of HK$648.5 million (31 December 2011: HK$555.3 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 45.7% (31 December 2011: 42.4%).

At 30 June 2012, the Group did not have any material capital commitment (31 December 2011: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 30 June 2012 (31 December 2011: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2012, the Group had approximately 310 employees, the majority of whom were based in the PRC. Employee benefit expenses during the period were HK$57.3 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.

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 2012.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices (effective up to 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012, except for the deviation from the code provision A.6.7 of the Corporate Governance Code as summarised below:

Mr. Wong Po Yan, an independent non-executive director, was unable to attend the annual general meeting of the Company held in April 2012 (the "AGM") due to other crucial business commitment. However, Mr. Wong subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the AGM. As such the Board considers that the development of a balanced understanding of the views of shareholders among the independent non-executive directors and other non-executive directors was ensured.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

The 2012 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, 23 August 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.