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 2012

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 2012 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Revenue	**1,155,632**	995,111
Cost of sales	**(703,904)**	(665,832)
Gross profit	**451,728**	329,279
Other gains – net	**28,679**	31,244
Selling and marketing costs	**(57,310)**	(41,289)
Administrative expenses	**(200,768)**	(189,287)
Operating profit	**222,329**	129,947
Finance income – net	**3,194**	1,282
Profit before taxation	**225,523**	131,229
Taxation	**(27,939)**	(16,570)
Profit for the year	**197,584**	114,659
Attributable to owners of the Company	**197,584**	114,659
Dividends	**–**	–
	HK cents	*HK cents*
Earnings per share		
– Basic	**11.68**	6.78
– Diluted	**11.68**	6.78

* *For identification purpose only*

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**197,584**	114,659
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of foreign operations	**639**	20,133
Total comprehensive income for the year	**198,223**	134,792
Attributable to owners of the Company	**198,223**	134,792

AUDITED CONSOLIDATED BALANCE SHEET

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**21,210**	16,988
Intangible assets	**3,671**	4,281
Deferred tax assets	**41,950**	28,560
Available-for-sale financial assets	**2,467**	2,467
	69,298	52,296
Current assets		
Inventories	**308,185**	268,457
Trade and other receivables	**494,604**	404,672
Cash and cash equivalents	**476,619**	329,453
	1,279,408	1,002,582
Total assets	**1,348,706**	1,054,878
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Issued equity	**889,171**	889,171
Other reserves	**(320,599)**	(321,238)
Retained earnings	**237,230**	39,646
Total equity	**805,802**	607,579
Liabilities		
Current liabilities		
Trade and other payables	**541,671**	422,629
Short term bank loans	**1,233**	24,670
Total liabilities	**542,904**	447,299
Total equity and liabilities	**1,348,706**	1,054,878
Net current assets	**736,504**	555,283
Total assets less current liabilities	**805,802**	607,579

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 and Listing Rules

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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.

(b) New standards, amendments to standards and interpretations

During the year ended 31 December 2012, the Group had adopted the following amendments to Hong Kong Accounting Standards ("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

The adoption of such amendments to 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, and amendments to HKAS and HKFRS have been issued but are not yet effective:

HKAS 1 (amendment)	Presentation of Financial Statements (effective from 1 January 2013)
HKAS 19 (revised 2011)	Employee Benefits (effective from 1 January 2013)
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)
HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)
HKFRS 7 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013)
HKFRS 9	Financial Instruments (effective from 1 January 2015)
HKFRS 10, HKFRS 11 and HKFRS 12 (amendment)	Transition Guidance (effective from 1 January 2013)
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, and amendments to 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

	2012	2011
	HK$'000	*HK$'000*
Integrated circuits products	**1,155,632**	995,111

(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 segments 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:

	2012	2011
	HK$'000	*HK$'000*
PRC	**26,112**	22,908
Hong Kong	**1,236**	828
	27,348	23,736
Deferred tax assets	**41,950**	28,560
Total non-current assets per consolidated balance sheet	**69,298**	52,296

OTHER GAINS – NET

	2012	2011
	HK$'000	*HK$'000*
Government grants	**30,737**	28,772
Share of loss of an associate	**–**	(253)
Gain on disposal of an associate	**–**	1,053
Gain on disposal of property, plant and equipment	**14**	619
Exchange (losses)/gains	**(717)**	585
Others	**(1,355)**	468
	28,679	31,244

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:

	2012	2011
	HK$'000	*HK$'000*
Depreciation and amortisation expenses	**16,982**	14,363
Employee benefit expenses	**126,810**	101,462
Changes in inventories of finished goods and work in progress	**(60,729)**	(16,165)
Raw materials and consumables used	**731,534**	652,642
Research and development costs	**163,355**	138,969
(Reversal of)/Impairment provision for trade receivables	**(14,905)**	14,071
Write-down of inventories to net realisable value	**21,001**	8,345
Operating lease expenses on property	**11,289**	7,572
Auditor's remuneration	**1,909**	1,585

FINANCE INCOME – NET

	2012	2011
	HK$'000	*HK$'000*
Interest income on short term deposits	**3,740**	2,928
Interest on bank loans	**(546)**	(1,646)
	3,194	1,282

TAXATION

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
– PRC enterprise income tax	**41,288**	22,955
Deferred taxation	**(13,349)**	(6,385)
	27,939	16,570

(a) No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profit in Hong Kong during the year (2011: nil).

(b) In accordance with the enterprise income tax laws in the PRC, the applicable statutory tax rate of CEC Huada Electronic Design Co., Ltd ("Huada Electronics") 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:

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**225,523**	131,229
Calculated at respective applicable statutory tax rates	**57,739**	33,542
Effect of tax concession	**(24,179)**	(14,412)
Research and development costs additional deductions	**(8,701)**	(5,567)
Expenses not deductible for taxation purposes	**372**	520
Utilisation of previously unrecognised tax losses	**–**	(17)
Tax losses for which no deferred tax asset was recognised	**2,708**	2,504
Taxation expense	**27,939**	16,570

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2012 (2011: nil).

EARNINGS PER SHARE

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

	2012	2011
Profit for the year attributable to owners of the Company *(HK$'000)*	**197,584**	114,659
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	**11.68**	6.78
– Diluted *(Note (a))*	**11.68**	6.78

(a) The Company did not have any potential ordinary shares outstanding for the year ended 31 December 2012 (2011: nil). Diluted earnings per share is therefore equal to basic earnings per share.

TRADE RECEIVABLES

Included in trade and other receivables are trade receivables of HK$483,969,000 (2011: HK$398,475,000). 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 2012, the ageing analysis of the trade receivables (net of provision for impairment) are as follows:

	2012 *HK$'000*	2011 *HK$'000*
Current to 30 days	**241,603**	270,298
31 – 60 days	**81,632**	24,256
Over 60 days and within 1 year	**158,580**	102,117
Over 1 year	**2,154**	1,804
	483,969	398,475

TRADE PAYABLES

Included in trade and other payables are trade payables of HK$243,889,000 (2011: HK$218,966,000) and their ageing analysis are as follows:

	2012	2011
	HK$'000	*HK$'000*
Current to 30 days	**78,516**	133,763
31 – 60 days	**76,376**	25,739
Over 60 days	**88,997**	59,464
	243,889	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 year ended 31 December 2012, the Group has obtained 20 new patents, and registered another 21 computer software copyrights and 12 integrated circuits layout designs.

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 an increase of 35.2% for the year ended 31 December 2012 and compensated the impact of the decrease in the average selling prices of integrated circuits chip products on the revenue for the year. Revenue for the year ended 31 December 2012 amounted to HK$1,155.6 million, representing an increase of 16.1% when comparing with the corresponding period of last year. For the year ended 31 December 2012, sales of a number of our products recorded an increase in excess of 25% with more balanced product mix when comparing with the corresponding period of last year. 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 37.2% to HK$451.7 million for the year ended 31 December 2012. During the year, the overall gross profit margin, which was still maintained at industry level, increased 6% to 39.1%.

Selling and marketing costs increased by 38.8% to HK$57.3 million for the year ended 31 December 2012. This was mainly attributable to the increase in both the overall sales volume and staff costs for the year.

Administrative expenses increased by 6.1% to HK$200.8 million for the year ended 31 December 2012. This was mainly attributable to the increase in research and development costs, increase in staff 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$163.4 million in 2012 (2011: HK$139 million), which represented 14.1% of the revenue for the year ended 31 December 2012 (2011: 14%). Research and development during the year primarily focused on the EMV card, mobile payment card and RFID ("radio frequency identification") chip products.

Government grants recognised as income increased by 6.8% to HK$30.7 million for the year ended 31 December 2012 resulted from more government subsidies for research and development costs incurred by the Group in 2012.

For the year ended 31 December 2012, the profit attributable to owners of the Company was HK$197.6 million (2011: HK$114.7 million), and the basic earnings per share was HK11.68 cents (2011: HK6.78 cents).

The Board does not recommend the payment of final dividend for the year ended 31 December 2012 (2011: nil).

OUTLOOK

Looking forward into 2013, with the continuing increase in investment in the banking, social security and Internet of Things sectors domestically, the overall market size of the PRC smart cards industry is expected to grow at a steady pace. Nevertheless, due to factors like increasing domestic economic difficulties and slowing down in economic growth, it is expected that market competition will further intensify. Facing such increasingly complicated external environment, the Group will proactively respond to market changes, continue to be innovative in its business vision, fine-tune and optimize its product mix. The Group will continue to leverage on its strengths, deepen its technology innovation. The Group will also seek opportunities in expanding into new business coverage, extend its industry value chain, and add value to the business and improve profitability, so as to 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 2012, the Group had cash and cash equivalents amounting to HK$476.6 million, 77.5% of which was denominated in Renminbi, 22% in United States dollars and 0.5% in Hong Kong dollars (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 31 December 2012, the Group had unsecured short term bank loans of HK$1.2 million, which were denominated in Renminbi (2011: HK$24.7 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 31 December 2012, committed borrowing facilities available to the Group but not drawn amounted to HK$171.4 million. The Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. 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 2012, the Group had net current assets of HK$736.5 million (2011: HK$555.3 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 40.3% (2011: 42.4%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2012, the Group had approximately 330 employees, the majority of whom were based in the PRC. Employee benefit expenses for the year were HK$126.8 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. Bonuses and other merit payments are linked with the performance of the Group and of the individuals as incentive to optimise performance.

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012.

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 year ended 31 December 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 to the Listing Rules throughout the year ended 31 December 2012, except for the deviation from the code provision A.6.7 of the Corporate Governance Code as summarised below.

Mr. Wong Po Yan 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 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 2012 annual report will be published on the website of the Company (www.cecholding.com) and on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) in due course.

By Order of the Board
China Electronics Corporation Holdings Company Limited
Rui Xiaowu
Chairman

Hong Kong, 25 February 2013

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. Xie Qinghua (Managing Director) and Mr. Liu Jinping, and three Independent Non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Yin Yongli.