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)

2013 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Electronics Corporation Holdings Company Limited (the "Company") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**728,341**	611,317
Cost of sales		**(398,618)**	(378,643)
Gross profit		**329,723**	232,674
Other gains – net	*4*	**13,485**	21,981
Selling and marketing costs		**(25,690)**	(25,422)
Administrative expenses		**(160,314)**	(94,492)
Operating profit		**157,204**	134,741
Finance income – net	*5*	**3,444**	813
Profit before taxation	*6*	**160,648**	135,554
Taxation	*7*	**(24,184)**	(21,691)
Profit for the period		**136,464**	113,863
Attributable to owners of the Company		**136,464**	113,863
Dividends	*8*	**50,747**	–
		HK cents	*HK cents*
Earnings per share	*9*		
– Basic		**8.07**	6.73
– Diluted		**8.07**	6.73

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**136,464**	113,863
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**14,536**	(3,229)
Total comprehensive income for the period	**151,000**	110,634
Attributable to owners of the Company	**151,000**	110,634

CONSOLIDATED BALANCE SHEET

	Note	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**19,080**	21,210
Intangible assets		**8,761**	3,671
Deferred tax assets		**55,921**	41,950
Available-for-sale financial assets		**2,511**	2,467
		86,273	69,298
Current assets			
Inventories		**276,035**	308,185
Trade and other receivables	*10*	**654,971**	494,604
Cash and cash equivalents		**521,900**	476,619
		1,452,906	1,279,408
Total assets		**1,539,179**	1,348,706
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium		**289,171**	889,171
Other reserves		**28,656**	(320,599)
Retained earnings		**588,228**	237,230
Total equity		**906,055**	805,802
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**4,816**	–
Current liabilities			
Trade and other payables	*11*	**627,053**	541,671
Short term bank loans		**1,255**	1,233
		628,308	542,904
Total liabilities		**633,124**	542,904
Total equity and liabilities		**1,539,179**	1,348,706
Net current assets		**824,598**	736,504
Total assets less current liabilities		**910,871**	805,802

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 2012, 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 2012.

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013 have no material impact on the Group or are not currently relevant to the Group.

(b) The following new standards and amendments to standards that are relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

HKAS 32 (amendments)	Financial instruments: Presentation on assets and liabilities offsetting (effective from 1 January 2014)
HKFRS 10, HKFRS 12 and HKAS 27 (amendments)	Investment entities (effective from 1 January 2014)
HKFRS 9	Financial instruments (effective from 1 January 2015)
HKFRS 7 and HKFRS 9 (amendments)	Mandatory effective date and transition disclosures (effective from 1 January 2015)

Management is currently assessing the financial impact of the above new standards and amendments to standards to the Group's financial position and performance.

Tax charges for the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 Revenue and segment information

(a) Revenue

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Integrated circuits products	**728,341**	611,317

(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	
	2013	2012
	HK$'000	*HK$'000*
Government grants	**13,000**	24,229
Exchange losses	**(539)**	(319)
Others	**1,024**	(1,929)
	13,485	21,981

5 Finance income – net

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest income on short term deposits	**3,480**	1,323
Interest on loans	**(36)**	(510)
	3,444	813

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	
	2013	2012
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**3,228**	3,376
Amortisation of intangible assets	**5,093**	4,862
Research and development costs	**82,966**	86,166
Written-down of inventories to net realisable value	**183**	15,235
Impairment/(Reversal of impairment) provision for trade receivables	**52,664**	(9,423)
Operating lease expenses on property	**7,538**	5,244

7 Taxation

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Current taxation		
– PRC corporate income tax	**32,471**	29,827
Deferred taxation		
– PRC corporate income tax	**(13,103)**	(8,136)
– Withholding tax on undistributed profits *(Note (c))*	**4,816**	–
	(8,287)	(8,136)
	24,184	21,691

(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 2013 (2012: nil).

(b) In accordance with the corporate income tax laws of 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) According to the relevant regulations of the corporate income tax laws of the PRC, when a foreign investment enterprise distributed dividends out of the profits earned from 1 January 2008 onwards to its overseas investors, it is subject to withholding tax at a rate of 10%.

8 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2013 (2012: nil).

As approved by the shareholders of the Company on 20 June 2013, the Company will pay a special dividend of an aggregate amount in cash of HK$50,746,800 (representing HK$0.03 per share) out of the contributed surplus account of the Company to the shareholders of the Company whose names appear on the register of members of the Company on 2 October 2013.

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	
	2013	2012
Profit for the period attributable to owners of the Company *(HK$'000)*	**136,464**	113,863
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	**8.07**	6.73
– Diluted *(Note (a))*	**8.07**	6.73

(a) The Company did not have any potential ordinary shares outstanding for the six months ended 30 June 2013 (2012: 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$646,032,000 (31 December 2012: HK$483,969,000) and their ageing analysis is as follows:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Current to 30 days	**273,762**	241,603
31-60 days	**136,100**	81,632
Over 60 days and within 1 year	**233,067**	158,580
Over 1 year	**3,103**	2,154
	646,032	483,969

11 Trade and other payables

Included in trade and other payables are trade payables of HK$229,309,000 (31 December 2012: HK$243,889,000) and their ageing analysis is as follows:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Current to 30 days	**60,315**	78,516
31-60 days	**72,194**	76,376
Over 60 days	**96,800**	88,997
	229,309	243,889

12 Events after the balance sheet date

On 5 July 2013, the Company and China Electronics Corporation Limited ("CEC") entered into an equity transfer agreement pursuant to which the Company has conditionally agreed to acquire and CEC has conditionally agreed to sell 100% equity interest in China Electronics Technology Development Co., Ltd, a wholly-owned subsidiary of CEC, at a consideration of RMB600 million.

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, telecommunication cards and electric cards. Our products are also applied in wireless local area networks. For the six months ended 30 June 2013, the Group has obtained 25 new patents.

Due to the further intensification of market price competition in 2013, the average selling prices of integrated circuits chip products were generally lower when comparing with those of the 2012. The Group on one hand adjusted its product mix in its smart card chips business and concentrated on products which have a 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 2013, which 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 2013 amounted to HK$728.3 million, representing an increase of 19.1% when comparing with the corresponding period of last year. As the combined effects of the improvement on the product mix of the Group 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 41.7% to HK$329.7 million for the six months ended 30 June 2013. During the period, the overall gross profit margin has increased 7.2 percentage points.

Selling and marketing costs for the six months ended 30 June 2013 amounted to HK$25.7 million (2012: HK$25.4 million). As a percentage to revenue, selling and marketing costs decreased to 3.5% for the six months ended 30 June 2013 from 4.2% of the corresponding period of last year. The decrease was due to stringent cost control measures implemented during the period.

Administrative expenses increased by 69.7% to HK$160.3 million for the six months ended 30 June 2013. The increase was mainly attributable to the provision for impairment of trade receivables. Research and development costs were HK$83.0 million in 2013 (2012: HK$86.2 million), which represented 11.4% of the revenue for the six months ended 30 June 2013 (2012: 14.1%). Research and development during the period primarily focused on the EMV card, mobile payment card and RFID ("radio frequency identification") chip products.

Government grants recognised as income decreased by 46.3% to HK$13.0 million for the six months ended 30 June 2013 resulted from less government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2013, the profit attributable to owners of the Company was HK$136.5 million (2012: HK$113.9 million), and the basic earnings per share was HK8.07 cents (2012: HK6.73 cents).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2013 (2012: nil). As approved by the shareholders of the Company on 20 June 2013, the Company will pay a special dividend of an aggregate amount in cash of HK$50,746,800 (representing HK$0.03 per share) out of the contributed surplus account of the Company to the shareholders of the Company whose names appear on the register of members of the Company on 2 October 2013.

OUTLOOK

At present, the application of smart cards in the PRC market are mainly in telecommunications, social security, identity identification, financial services, electricity, transportation, petrol payment, etc., among which the massive issuance of social security cards, identity cards, electric cards, petrol payment cards and other smart cards have been the driving force behind the growth of the domestic smart card market. After many years of development, the Group has emerged as a market leader in the above mentioned smart card market. Moreover, the Group has also been actively exploring and developing new industry and corporate customers and providing tailor-made products to meet customer's needs. Meanwhile, we also notice that the slow down in growth in the domestic and foreign telecommunication card market, and the competition of domestic social security card market are increasingly intense, all of which will bring new challenges to the sales volume and revenue of the Group's products.

Looking forward, on one hand, the Group will continue to persist in independent technology innovation, actively explore financial services and other new application businesses for smart cards as well as other aspects of chips design, capture the development opportunities in the integrated circuits design segment, and strive to maintain its leading position in the integrated circuits chips design sector.

On the other hand, the Group will strive to diversify its business. In July 2013, the Company entered into an equity transfer agreement with CEC to acquire the 100% equity interest in China Electronics Technology Development Co., Ltd. The acquisition is in the process of obtaining all necessary approvals, including but not limited to approval by the independent shareholders of the Company. Upon successful completion of the acquisition, the Group will leverage on this opportunity through adopting effective measures to meet local needs, to focus on establishing a software and hardware environment that is favourable for the development of electronic information technology industrial parks, gradually develop a series of comprehensive services, including industrial guidance, funding support, consultation services, technical support, lifelihood services, etc., and expand and strengthen the electronic information technology industrial park service business in providing a better industrial development platform and environment for those domestic and foreign enterprises that are engaged in high-tech research and development, production and services businesses. In addition, in June 2013, the Company has entered into a strategic cooperation framework agreement with Beihai City People's Government of the PRC and CCB International (Holdings) Limited, for the construction of Beibu Gulf Eco-Wisdom Electronics City in Beihai City, Guangxi Province of the PRC as a modern production and service agglomeration complex. At present, the project is still under evaluation by the government authority, and in the event that the Group were able to participate in this project, the Group will also leverage on this opportunity to achieve its business diversification objective.

FINANCIAL REVIEW

The Group finances its operations primarily by internal resources and short term loans. At 30 June 2013, the Group had cash and cash equivalents amounted to HK$521.9 million, 78.8% of which was denominated in Renminbi, 20.4% in United States dollars and 0.8% in Hong Kong dollars (31 December 2012: HK$476.6 million, 77.5% of which was denominated in Renminbi, 22.0% in United States dollars and 0.5% in Hong Kong dollars).

At 30 June 2013, the Group had unsecured short term bank loans of HK$1.3 million, which were denominated in Renminbi (31 December 2012: HK$1.2 million, which were denominated in Renminbi). The bank loans were borrowed at contracted fixed interest rate. At 30 June 2013, committed borrowing facilities available to the Group but not drawn amounted to HK$425.6 million. At 30 June 2013, the Group did not have any pledged asset or guarantee (31 December 2012: 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 2013, the Group had net current assets of HK$824.6 million (31 December 2012: HK$736.5 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 41.1% (31 December 2012: 40.3%).

At 30 June 2013, the Group did not have any material capital commitment (31 December 2012: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 30 June 2013 (31 December 2012: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2013, the Group had approximately 350 employees, the majority of whom were based in the PRC. Employee benefit expenses during the period were HK$66.7 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.

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 2013.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2013.

PUBLICATION OF INTERIM REPORT

The 2013 interim 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, 29 August 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.