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 2014

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 2014 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Revenue	**1,357,062**	1,321,606
Cost of sales	**(773,767)**	(728,677)
Gross profit	**583,295**	592,929
Other income and gains – net	**165,274**	184,993
Selling and marketing costs	**(106,078)**	(64,344)
Administrative expenses	**(293,997)**	(366,320)
Operating profit	**348,494**	347,258
Finance income	**55,505**	9,613
Finance costs	**(205,723)**	(24,991)
Finance costs – net	**(150,218)**	(15,378)
Share of result of an associate	**18,840**	16,836
Share of result of a joint venture	**(942)**	(853)
Profit before taxation	**216,174**	347,863
Taxation	**(49,135)**	(58,381)
Profit for the year	**167,039**	289,482

* *For identification purpose only*

AUDITED CONSOLIDATED INCOME STATEMENT *(Cont'd)*

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Profit for the year attributable to:		
Owners of the Company	**170,108**	291,966
Non-controlling interests	**(3,069)**	(2,484)
	167,039	289,482
Dividends	**52,777**	101,494
	HK cents	*HK cents*
Basic earnings per share	**9.55**	17.26

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**167,039**	289,482
Other comprehensive income for the year:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(6,656)**	26,189
Translation reserve of two PRC established subsidiaries reclassified to profit or loss on liquidation	**–**	(8,823)
	(6,656)	17,366
Total comprehensive income for the year	**160,383**	306,848
Total comprehensive income for the year attributable to:		
Owners of the Company	**163,452**	309,332
Non-controlling interests	**(3,069)**	(2,484)
	160,383	306,848

AUDITED CONSOLIDATED BALANCE SHEET

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
		(Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**414,630**	42,193
Investment properties	**409,401**	391,965
Land use rights held for self-use	**15,973**	1,641
Intangible assets	**8,453**	4,854
Investment in an associate	**55,508**	36,708
Investment in a joint venture	**21,338**	22,359
Trade and other receivables	**507,054**	77,042
Deferred tax assets	**60,173**	82,143
Available-for-sale financial assets	**2,535**	2,544
	1,495,065	661,449
Current assets		
Inventories	**454,505**	381,237
Trade and other receivables	**849,945**	764,538
Taxation recoverable	**19,522**	24,023
Available-for-sale financial assets	**114,087**	–
Short-term deposits and investments	**3,259,010**	–
Cash and cash equivalents	**534,134**	791,781
	5,231,203	1,961,579
Total assets	**6,726,268**	2,623,028

AUDITED CONSOLIDATED BALANCE SHEET *(Cont'd)*

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
		(Restated)
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital and premium	**825,454**	289,171
Reserves	**(642,131)**	171,177
Retained earnings	**893,652**	723,544
	1,076,975	1,183,892
Non-controlling interests	**24,855**	27,924
Total equity	**1,101,830**	1,211,816
Liabilities		
Non-current liabilities		
Unsecured corporate bonds	**3,436,724**	–
Bank and other borrowings	**1,266,418**	66,138
Deferred tax liabilities	**7,094**	12,801
	4,710,236	78,939
Current liabilities		
Deferred government grants	**137,742**	181,342
Advances from customers	**17,804**	39,293
Trade and other payables	**600,980**	570,025
Bank and other borrowings	**66,044**	442,409
Income tax payables	**91,632**	99,204
	914,202	1,332,273
Total liabilities	**5,624,438**	1,411,212
Total equity and liabilities	**6,726,268**	2,623,028
Net current assets	**4,317,001**	629,306
Total assets less current liabilities	**5,812,066**	1,290,755

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 ("CEC"), which is established in the People's Republic of China ("PRC").

On 5 July 2013, the Company entered into an agreement with CEC for the acquisition of its 100% equity interest of China Electronics Technology Development Co., Ltd ("CEC Technology") (the "Acquisition") for a cash consideration of RMB600 million (equivalent to HK$755,905,000). CEC Technology and its subsidiaries ("CEC Technology Group") are primarily engaged in the development and management of electronic information technology industrial parks. Completion of the Acquisition took place on 26 June 2014 and CEC Technology has become a wholly-owned subsidiary of the Company since then.

As a condition precedent to the Acquisition, CEC Technology entered into agreements with two shareholders of China Electronics Xi'an Industrial Park Development Co., Ltd ("CEC Xi'an"), whom are under common control of CEC, for the acquisition of their then entire equity interests in CEC Xi'an totalling 38.96% for a cash consideration of RMB54 million (equivalent to HK$67,782,000). The acquisition of the 38.96% equity interest in CEC Xi'an by CEC Technology was completed in August 2013. As a result, CEC Technology holds 73.91% equity interest in CEC Xi'an and CEC Xi'an has become a subsidiary of CEC Technology since then.

Following the completion of the Acquisition, the principal activities of the Group are the design and sale of integrated circuits chips, and the development and management of electronic information technology industrial parks.

These consolidated financial statements are presented in Hong Kong dollar, unless otherwise stated.

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 as modified by the revaluation of investment properties and certain available-for-sale financial assets which are carried at fair value.

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.

As both the Company and CEC Technology are under common control of CEC, these consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("HKAG 5") issued by the Hong Kong Institute of Certified Public Accountants. HK$591,311,000, being the difference between the total acquisition costs of HK$823,687,000 and the sum of the 100% of the paid-in capital of CEC Technology and the 38.96% of the paid-in capital of CEC Xi'an of HK$232,376,000, was made to merger reserve upon completion of the acquisition of 100% equity interest of CEC Technology on 26 June 2014. These consolidated financial statements include the results and financial position of the companies comprising CEC Technology Group as if the Acquisition had occurred at previous balance sheet dates presented. Comparative figures for the year ended 31 December 2013 and at 31 December 2013 have been restated on such basis.

The effects arising from the common control combination on the consolidated income statement and consolidated cash flow statement for the year ended 31 December 2013 and consolidated balance sheet at 31 December 2013 are summarised as follows:

	Amount previously reported *HK$'000*	CEC Technology Group *HK$'000* (1)	Restated *HK$'000*
(i) The consolidated income statement for the year ended 31 December 2013:			
Revenue	1,308,184	13,422	1,321,606
Profit for the year	223,896	65,586	289,482
(ii) The consolidated balance sheet at 31 December 2013:			
Non-current assets	134,691	526,758	661,449
Current assets	1,601,013	360,566	1,961,579
Total assets	1,735,704	887,324	2,623,028
Non-current liabilities	7,739	71,200	78,939
Current liabilities	733,145	599,128	1,332,273
Total liabilities	740,884	670,328	1,411,212
Total equity	994,820	216,996	1,211,816
(iii) The consolidated cash flow statement for the year ended 31 December 2013:			
Net cash generated from/(used in) operating activities	394,226	(88,614)	305,612
Net cash (used in)/generated from investing activities	(75,207)	15,981	(59,226)
Net cash (used in)/generated from financing activities	(51,853)	18,188	(33,665)

(1) The financial statements of CEC Technology Group for the year ended 31 December 2013 are included using the principles of merger accounting as prescribed in HKAG 5 as stated above.

(b) New standards, amendments to standards and interpretations

During the year ended 31 December 2014, the Group had adopted the following amended standards and interpretation that are relevant to its operations and effective for the accounting period beginning on 1 January 2014:

HKAS 32 (amendments)	Financial instruments: Presentation – offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 12 and HKAS 27 (amendments)	Investment entities
HKAS 36 (amendments)	Impairment of assets: recoverable amount disclosures for non-financial assets
HK(IFRIC) – Int 21	Levies

The adoption of the above amended standards and interpretation did not have significant impact on the results or financial position of the Group for the current year.

The following new and amended standards that are relevant to the Group have been issued but are not effective for the accounting period beginning on 1 January 2014 and have not been early adopted:

HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation (effective from 1 January 2016)
HKFRS 9	Financial instruments (effective from 1 January 2018)
HKFRS 15	Revenue from contracts with customers (effective from 1 January 2017)
Annual improvements 2012	Changes from the 2010-2012 cycle of the annual improvements project (effective from 1 January 2015)
Annual improvements 2013	Changes from the 2011-2013 cycle of the annual improvements project (effective from 1 January 2015)
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016)
HKAS 27 (amendments)	Equity method in separate financial statements (effective from 1 January 2016)
Annual improvements 2014	Changes from the 2012-2014 cycle of the annual improvements project (effective from 1 January 2017)

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

(c) Change in functional currency of the Company

In prior years, the directors regarded Hong Kong dollar as the functional currency of the Company. On 16 January 2014, the Company issued a 4.70% unsecured bonds due 2017 in the principal amount of Renminbi ("RMB") 2,750 million (the "Bonds") and the Company's funds from financing activities have been primarily denominated in RMB since then. It is also the Company's present intention to raise any future funds in RMB. The directors reassessed the Company's functional currency and decided to change it from Hong Kong dollar to RMB starting from 1 January 2014 due to the change in the currency of the funds from financing activities and that majority of the future cash receipts (mainly dividend income) and expenditures (mainly interest expense) of the Company are expected to be in RMB.

(d) The new Companies Ordinance (Cap. 622) (the "new CO")

These consolidated financial statements have been prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32). The requirements of Part 9, "Accounts and Audit", of the new CO come into operation from the Group's first financial year commencing after 3 March 2014 in accordance with Section 358 of the new CO. The Group is in the process of making an assessment of the expected impact on the consolidated financial statements on the initial application of Part 9 of the new CO. So far management has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements of the Group.

REVENUE AND SEGMENT INFORMATION

The Group is engaged in the following two operating segments:

– Design and sale of integrated circuits chips; and

– Development and management of electronic information technology industrial parks.

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 assess the performance of the two operating segments based on a measure of operating profit excluding unallocated corporate interest income and expenses. The segment revenue and results are as follows:

For the year ended 31 December 2014

	Design and sale of integrated circuits chips	Development and management of electronic information technology industrial parks	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
Sale of integrated circuits products	**1,351,723**	**–**	**1,351,723**
Rental income from investment properties	**–**	**5,339**	**5,339**
	1,351,723	**5,339**	**1,357,062**
Share of result of an associate	**–**	**18,840**	**18,840**
Share of result of a joint venture	**–**	**(942)**	**(942)**
Fair value gains on investment properties	**–**	**23,859**	**23,859**
Reversal of impairment provision/(impairment provision)	**51,265**	**(10,120)**	**41,145**
Depreciation and amortisation expenses	**(34,288)**	**(6,828)**	**(41,116)**
Segment results	**326,076**	**(6,106)**	**319,970**
Unallocated corporate interest income			**76,658**
Unallocated corporate expenses			**(30,236)**
Finance costs – net			**(150,218)**
Profit before taxation			**216,174**

For the year ended 31 December 2013

	Design and sale of integrated circuits chips *HK$'000*	Development and management of electronic information technology industrial parks *HK$'000* (Restated)	Total *HK$'000* (Restated)
Segment revenue			
Sale of integrated circuits products	1,308,184	–	1,308,184
Sale of land use rights	–	9,492	9,492
Rental income from investment properties	–	3,930	3,930
	1,308,184	13,422	1,321,606
Share of result of an associate	–	16,836	16,836
Share of result of a joint venture	–	(853)	(853)
Fair value gains on investment properties	–	26,642	26,642
Impairment provision	(32,125)	(400)	(32,525)
Depreciation and amortisation expenses	(22,722)	(4,876)	(27,598)
Segment results	273,436	118,511	391,947
Unallocated corporate expenses			(28,706)
Finance costs – net			(15,378)
Profit before taxation			347,863

Unallocated corporate interest income and expenses are common income and expenses generated from the operating segments as a whole and therefore they are not included in the measure of the segments performance.

Revenues of HK$174,233,000 (2013: HK$209,890,000), HK$172,474,000 (2013: HK$176,704,000) and HK$161,426,000 (2013: HK$118,828,000), respectively, are derived from 3 external customers of the Group. These revenues are attributable to the operating segment of design and sale of integrated circuits chips.

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. No geographical information is therefore presented.

OTHER INCOME AND GAINS – NET

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Government grants	**71,533**	31,320
Gain on liquidation of subsidiaries *(Note (a))*	**–**	8,823
Fair value gains on investment properties	**23,859**	26,642
Exchange (losses)/gains	**(956)**	680
Gain on disposal of 50% equity interest in a joint venture *(Note (b))*	**–**	120,006
Interest income on short-term deposits and investments	**62,147**	–
Interest income on entrusted loans	**13,455**	–
Interest income on available-for-sale financial assets	**1,056**	–
Others	**(5,820)**	(2,478)
	165,274	184,993

(a) In 2013, the Company liquidated CEC Media Technology & Service (Suzhou) Co., Ltd and CEC Integrated Circuit (Beijing) Co., Ltd, both of which were wholly-owned by the Company and had been dormant. As a result, translation reserve attributable to these two PRC established subsidiaries of HK$8,823,000 was reclassified and recognised as a gain on liquidation of subsidiaries.

(b) In 2013, the Group disposed of its 50% equity interest in a joint venture, Guangxi CEC Future Investment Land Co., Ltd ("Guangxi Future Land"), to the other venturer of Guangxi Future Land at a consideration of RMB141,410,000 and recognised a gain of HK$120,006,000.

EXPENSES BY NATURE

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

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Depreciation and amortisation expenses	**41,116**	27,598
Employee benefit expenses	**200,484**	155,134
Changes in inventories of finished goods and work in progress	**42,682**	33,262
Raw materials and consumables used	**738,556**	700,445
Research and development costs	**214,187**	213,002
(Reversal of impairment)/impairment provision for trade and other receivables	**(28,220)**	40,668
Reversal of provision for inventories	**(12,925)**	(8,143)
Operating lease expenses on properties	**17,392**	16,053
Auditor's remuneration	**4,259**	6,227

FINANCE COSTS – NET

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Finance costs:		
– Interest expense on borrowings	**218,922**	27,056
Less: Amounts capitalised on properties under development	**(13,199)**	(2,065)
	205,723	24,991
Finance income:		
– Interest income on cash and cash equivalents	**(55,505)**	(9,613)
Finance costs – net	**150,218**	15,378

The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was 5.00% for the year ended 31 December 2014 (2013: 5.62%).

TAXATION

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current taxation		
– PRC corporate income tax	**19,687**	22,050
– Withholding tax on distributed profits	**5,958**	7,533
	25,645	29,583
Deferred taxation		
– PRC corporate income tax	**20,471**	21,059
– Withholding tax on undistributed profits	**3,019**	7,739
	23,490	28,798
	49,135	58,381

(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 (2013: 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 an "Integrated Circuit Design Enterprises in National Planning Layout" ("ICDE") and thus enjoyed a 10% preferential tax rate from 1 January 2013 to 31 December 2014. Based on management's self-assessment and the historical successes in application for the qualification of ICDE, it is highly likely that Huada Electronics will continue to obtain the qualification of ICDE for the 2 years ending 31 December 2016.

(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, such dividends are subject to withholding tax at a rate of 10%.

(d) 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:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**216,174**	347,863
Calculated at respective applicable statutory tax rates	**62,541**	89,252
Effect of tax concession	**(39,095)**	(21,002)
Research and development costs additional deductions	**(20,782)**	(23,047)
Expenses not deductible for taxation purposes	**7,228**	7,792
Effect of change in tax rate on deferred taxation	**9,367**	(12,783)
Withholding tax on distributed profits and current year's undistributed profits	**8,977**	15,272
Temporary differences for which no deferred tax asset was recognised	**2,446**	–
Tax losses for which no deferred tax asset was recognised	**18,453**	2,897
Taxation expense	**49,135**	58,381

DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Special dividend paid: HK3.0 cents per share	**–**	50,747
Proposed dividend: HK2.6 cents (2013: HK3.0 cents) per share	**52,777**	50,747
	52,777	101,494

Proposed dividend is not recognised as a liability in these consolidated financial statements.

EARNINGS PER SHARE

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

	2014	2013 (Restated)
Profit for the year attributable to owners of the Company *(HK$'000)*	**170,108**	291,966
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,781,467,573**	1,691,560,000

No diluted earnings per share is presented as the Company did not have any potential ordinary share outstanding.

TRADE RECEIVABLES

Included in trade and other receivables are trade receivables of HK$637,224,000 (2013: HK$546,431,000). For the design and sale of integrated circuits chips operation, 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. For the development and management of electronic information technology industrial parks operation, there are generally no credit term available for rental income. At 31 December 2014, the ageing analysis of the trade receivables (net of provision for impairment) based on revenue recognition date are as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current to 30 days	**220,542**	304,259
31 – 60 days	**185,548**	76,330
Over 60 days and within 1 year	**205,232**	129,130
Over 1 year	**25,902**	36,712
	637,224	546,431

TRADE PAYABLES

Included in trade and other payables are trade payables of HK$227,685,000 (2013: HK$285,092,000) and their ageing analysis is as follows:

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Current to 30 days	**87,754**	99,098
31 – 60 days	**48,697**	66,410
Over 60 days	**91,234**	119,584
	227,685	285,092

BUSINESS REVIEW

Results overview

Revenue of the Group for the year ended 31 December 2014 amounted to HK$1,357.1 million, representing a slight increase of 2.7% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$170.1 million, representing a decrease of 41.7% when comparing with the corresponding period of last year, and the basic earnings per share was HK9.55 cents (2013: HK17.26 cents).

Integrated circuits design operation

The Group's integrated circuits design operation 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 electricity cards. For the year ended 31 December 2014, the Group has obtained 21 new patents, owned 11 computer software copyrights, and registered 28 integrated circuits layout designs.

Due to the further intensification of market price competition in 2014, the average selling prices of integrated circuits chip products were generally lower when comparing with those of the 2013. The Group has stepped up its effort in cost control and expanded the market share of its products. Through successfully boosting the sales of some of our main products, the overall sales volume increased by 52.3% for the year ended 31 December 2014, which 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 2014 amounted to HK$1,351.7 million, representing a slight increase of 3.3% when comparing with the corresponding period of last year. During the year under review, wage level within the industry and the overall operating costs generally increased, and have exerted pressure on the profitability of the integrated circuits design operation.

Research and development costs were HK$214.2 million in 2014 (2013: HK$213.0 million), which represented 15.8% of the revenue for the year ended 31 December 2014 (2013: 16.3%). Research and development during the year primarily focused on the EMV card, mobile payment card, RFID ("radio frequency identification") and Global Positioning System chip products.

Government grants recognised as income increased by 140.0% to HK$62.6 million for the year ended 31 December 2014 resulted from more government subsidies for research and development costs incurred in the year.

For the year ended 31 December 2014, profit attributable to owners of the Company amounted to HK$326.1 million, representing an increase of 19.3% when comparing with the corresponding period of last year. Profit attributable to owners of the Company for the year ended 31 December 2014 included the income from reversal of impairment provision for trade receivables of HK$38.3 million during the year while the corresponding period's results included an impairment provision for trade receivables of HK$40.2 million.

Electronic information technology industrial parks operation

The Group's electronic information technology industrial parks operation comprises:

1. Hainan Resort Software Community (海南生態軟件園) ("Hainan RSC"), which is wholly owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd (海南生態軟件園投資發展有限公司), an associate company of the Group;

2. CEC Xi'an Industrial Park (中國電子西安產業園) ("Xi'an Industrial Park"), which is wholly owned, developed and managed by China Electronics Xi'an Industrial Park Development Co., Ltd (中國電子西安產業園發展有限公司), a subsidiary of the Group; and

3. CEC Beihai Industrial Park (中國電子北海產業園) ("Beihai Industrial Park"), which is wholly owned, developed and managed by China Electronics Beihai Industrial Park Development Co., Ltd (中國電子北海產業園發展有限公司) ("CEC Beihai"), a subsidiary of the Group.

Hainan RSC

Hainan RSC is situated in Hainan, with a planned total site area of 3,000 Mu, of which approximately 1,790 Mu of land has already been acquired, and application to the government for the purchase of the remaining approximately 1,210 Mu is in progress. The park targets enterprises engaging in software research, software outsourcing and information technology training, as well as call centres and internet media. The overall planning of the park includes four functional zones: namely start-up zone, large-scale enterprises zone, livelihood-supporting zone and enterprise self-established zone. The start-up zone consists of Plot A and Plot B with a total site area of approximately 350 Mu, which now consists of 26 office buildings in Plot A, 29 office buildings in Plot B, an incubation building, and Laocheng Economic Development Zone Administration Affairs Service Centre, etc. The large-scale enterprises zone is located at Plot C, which is in the middle of Hainan RSC. It is customised specifically for enterprises with over 500 employees, occupying a site area of approximately 490 Mu and will be constructed along the river side with natural landscape of water flowing beneath a small bridge. The livelihood-supporting zone consists of Plot D, Plot E and Plot G, which will include five-star hotels, Meilun Tertiary Time Tropical Style Commercial Street (美輪第三時間熱帶風情商業街), and youth entrepreneurship blocks zone, etc. It mainly offers high-quality leisure, shopping, accommodation, conference, food and beverages, and recreational services for the park. The enterprise self-established zone will be a self-built "park within park", and catering for a conglomerate's need. With the land provided by Hainan RSC, subject to complying with the overall planning requirement of Hainan RSC, enterprises can construct their own parks according to their own needs.

I. Mingyue Ju residential development project is located at Plot B in the start-up zone with a gross floor area of approximately 34,000 square metres. The construction of Mingyue Ju was completed in December 2014. Mingyue Ju is intended to hold for sales and, of which approximately 14,000 square metres were sold as at 31 December 2014.

II. 7 office buildings in Plot B with a total gross floor area of approximately 13,000 square metres were sold during the year.

III. The construction of Meilun Tertiary Time Tropical Style Commercial Street in Plot E has commenced in the first half of 2013. It occupies a site area of approximately 90 Mu. Its overall construction planning and design covers 16 blocks of building with a total gross floor area of 72,000 square metres. The gross floor area of these buildings ranges from 300 to 6,000 square metres. The construction of the commercial street is substantially completed and grand opening is scheduled in first half of 2015. Upon completion, the commercial street is intended to be held for rental purposes. Pre-marketing and pre-leasing went well as at 31 December 2014.

IV. The large-scale enterprises zone in Plot C consists of five phases, and construction has commenced in the first half of 2014. Phase I consists of 13 office buildings with a total gross floor area of 43,000 square metres. The gross floor area of these buildings ranges from 1,600 to 10,000 square metres. The main structure of 8 office buildings were topped off as at 31 December 2014 and the construction of the 13 office buildings of Phase I is scheduled for completion in the second half of 2015. Upon completion, they are intended to be held for rental purposes.

V. Youth entrepreneurship blocks zone in Plot G is planned to consist of three phases. Phase I consists of 3 residential buildings with a total gross floor area of 96,000 square metres, and construction has commenced in the first half of 2014. As at 31 December 2014, the main structure is nearly topped off and the construction is scheduled for completion in the second half of 2015. Upon completion, it is intended to be held for sale.

VI. In respect of business solicitation, Hainan RSC has carried out an in-depth co-operation with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("Tencent (Shenzhen)"), and has inaugurated the internet industrial cluster massive plan in Hainan, with an aim to develop Hainan RSC as an internet industrial cluster zone as well as an international internet economic demonstration zone in Hainan. The co-operation with Tencent (Shenzhen) includes the joint construction of Tencent Venture Platform.

Xi'an Industrial Park

Xi'an Industrial Park is situated at Xi'an and occupies a site area of 470 Mu, of which 202 Mu of land has already been acquired, and application for the purchase of the rest from the government is in progress. The park targets enterprises engaging in producer and consumer information services industries such as cloud computing services, integrated circuit design, software research and development, information services, information security and electronic commerce. The overall planning of the industrial park is substantially completed.

Phase I consists of 5 office buildings. The gross floor area of No. 1 to No. 4 office building ranges from 2,000 to 4,000 square metres, and the gross floor area of No. 5 office building is 17,000 square metres. The construction of Phase I is substantially completed. No. 1 to No. 4 building of Phase I are intended to be held for sale. No. 1 and No. 2 building were pre-sold to Huada Electronics, and No. 3 and No. 4 building are currently at the pre-marketing stage. No. 5 building of Phase I is intended to be held for rental purposes.

Phase II consists of 9 buildings. No. 1 to No. 7 building are single block of office building with gross floor area ranges from 2,000 to 6,000 square metres, and No. 8 office building's gross floor area is 50,000 square metres. No. 9 building is a steel-structured two-storey training centre with a gross floor area of 7,000 square metres. The construction of No. 9 building of Phase II has commenced in the first half of 2014 and is scheduled for completion in the first half of 2015. Construction of No. 1 to No. 8 building of Phase II has commenced in the second half of 2014 and is scheduled for completion in 2015. No. 1 to No. 7 building are intended to be held for sale and are currently at the pre-marketing stage. No. 9 building is intended to be held for rental purposes and will be leased out for a term of 10 years upon completion. No. 8 building of Phase II is intended to be held for rental purposes.

Beihai Industrial Park

Beihai Industrial Park is situated in Beihai, Guangxi. The park targets manufacturers of computers and computer storage, as well as enterprises engaging in software research and services, and the production of key parts of LCD monitors and A/D power.

CEC Beihai has been actively negotiating with the People's Government of Beihai on the joint development and construction of Beibu Gulf Eco-Wisdom Electronics City（北部灣智慧生態電子城）. This project is built on the existing Beihai Industrial Park, oriented by high and new technology industries, and adopted the Wisdom City and IOC construction concept as means to excel a new generation of industrial-urban integration demonstration zone. The objective is to establish Beibu Gulf Eco-Wisdom Electronics City as the engine for the industrial development and urban construction of Beibu Gulf. In 2014, the site selection of the land with an area of approximately 400 Mu for the start-up zone of this project and the related feasibility study analysis have been completed. CEC Beihai is currently conducting an analysis of the industrial development for the start-up zone, and is negotiating the specific terms of the cooperation agreement with the local government. In addition, CEC Beihai has been actively communicating with relevant government departments for the preparation of various preliminary works for the purchase of a piece of land with a site area of approximately 170 Mu designated for commercial development by the seaside.

In addition, Beihai Industrial Park has also been actively exploring various business operation service model and soft environment for industrial development in the park, and has stepped up the efforts to develop the business of high-tech entrepreneurial services center, and has integrated social resources in all aspects to create a technology service platform and an entrepreneurial incubation platform for technology enterprises. During the year, a number of enterprises were introduced to operate in the incubation base of the park.

For the year ended 31 December 2014, loss attributable to owners of the Company amounted to HK$6.1 million, compared to a profit of HK$118.5 million for 2013. The profit attributable to owners of the Company for the year ended 31 December 2013 included a one-off gain of HK$120.0 million arising from the disposal of 50% equity interest in a joint venture, Guangxi Future Land.

OUTLOOK

Looking forward into 2015, under CEC's strategic direction of "adapting to new economic norm, persisting to make progress while ensuring stability", the Group will strive to establish new thinking on scientific development and continue to carry on its technology investments and innovation development. With the goals of transformation, upgrading, quality improvement and efficiency escalation, the Group will further bring its business development into a new stage.

FINANCIAL RESOURCES AND LIQUIDITY

The Group generally finance its working capital and funding requirements through internal resources, bank and other borrowings, and issuance of corporate bonds. At 31 December 2014, the Group had cash and cash equivalents amounted to HK$534.1 million, 98.8% of which was denominated in Renminbi, 0.8% in United States dollars and 0.4% in Hong Kong dollars (2013: HK$791.8 million, 99.1% of which was denominated in Renminbi, 0.4% in United States dollars and 0.5% in Hong Kong dollars).

At 31 December 2014, the Group had total bank and other borrowings of HK$1,332.5 million, all of which were denominated in Renminbi (2013: HK$508.5 million, all of which were denominated in Renminbi). Among these borrowings, (i) HK$65.9 million (2013: HK$157.7 million) were secured by non-current assets of the Group, HK$1,266.5 million (2013: nil) were secured by short-term deposits of the Group and HK$0.1 million was unsecured (2013: HK$350.8 million were unsecured and guaranteed by CEC for the Group), and (ii) HK$1,266.5 million and HK$66.0 million (2013: HK$442.5 million and HK$66.0 million respectively) were borrowed at fixed and variable interest rates respectively. At 31 December 2014, committed borrowing facilities available to the Group but not drawn amounted to HK$937.9 million.

On 16 January 2014, the Company issued a 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750 million. The issue price of the Bonds is 100% of the principal amount of the Bonds and will mature on 16 January 2017. The Bonds bear interest at the rate of 4.70% per annum and are listed on The Stock Exchange of Hong Kong Limited. CEC assists the Company in meeting its obligations under the Bonds by entering into a keepwell deed and a deed of equity interest purchase undertaking. Pursuant to the keepwell deed, CEC, as the ultimate controlling shareholder of the Company, undertakes to, inter alia, directly or indirectly own and hold more than 50% the outstanding shares of the Company.

On 25 September 2014, 338,312,000 shares of HK$0.01 each of the Company were placed at a price of HK$1.63 per share to independent third parties. The net proceed of the placing, after the deduction of the placing commission and other related expenses, amounted to HK$536.3 million. The new ordinary shares ranks pari passu in all respects with the existing ordinary shares of the Company.

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 2014, the Group had net current assets of HK$4,317.0 million (2013: HK$629.3 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 83.6% (2013: 53.8%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2014, the Group did not have any material outstanding capital commitment (2013: HK$763.1 million). The Group did not have any material contingent liability at 31 December 2014 (2013: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2014, the Group had approximately 480 employees, the majority of whom were based in the PRC. Employee benefit expenses for the year were HK$200.5 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. 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 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Except for the placing of new shares by the Company in September 2014, 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 2014.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 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 results announcement.

PUBLICATION OF ANNUAL REPORT

The 2014 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, 13 March 2015

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Rui Xiaowu (Chairman) and Mr. Dong Haoran, two Executive Directors, namely Mr. Liu Hongzhou (Vice Chairman) and Mr. Xie Qinghua (Managing Director), and two Independent Non-executive Directors, namely Mr. Chan Kay Cheung and Mr. Qiu Hongsheng.