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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)

2015 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 2015 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
			(Restated)
			(Note 4(a))
Revenue	*3*	**639,558**	703,664
Cost of sales		**(349,253)**	(386,655)
Gross profit		**290,305**	317,009
Other income and gains – net	*4*	**125,163**	81,152
Selling and marketing costs		**(21,296)**	(42,462)
Administrative expenses		**(140,444)**	(124,715)
Operating profit		**253,728**	230,984
Finance income	*5*	**11,662**	16,031
Finance costs	*5*	**(99,771)**	(99,425)
Finance costs – net	*5*	**(88,109)**	(83,394)
Share of result of an associate		**12,715**	(3,892)
Share of result of a joint venture		**(333)**	(242)
Profit before taxation	*6*	**178,001**	143,456
Taxation	*7*	**(29,949)**	(35,263)
Profit for the period		**148,052**	108,193

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT *(Cont'd)*

		Unaudited	
		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
			(Restated)
			(Note 4(a))
Profit for the period attributable to:			
Owners of the Company		**149,092**	109,734
Non-controlling interests		**(1,040)**	(1,541)
		148,052	108,193
Dividends	*8*	**52,777**	50,747
		HK cents	*HK cents*
Basic earnings per share	*9*	**7.34**	6.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**148,052**	108,193
Other comprehensive income for the period:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**687**	(9,934)
Total comprehensive income for the period	**148,739**	98,259
Total comprehensive income for the period attributable to:		
Owners of the Company	**149,779**	99,800
Non-controlling interests	**(1,040)**	(1,541)
	148,739	98,259

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**437,812**	414,630
Investment properties		**411,675**	409,401
Land use rights held for self-use		**14,984**	15,973
Intangible assets		**8,835**	8,453
Investment in an associate		**68,273**	55,508
Investment in a joint venture		**21,012**	21,338
Other receivables		**507,222**	507,054
Deferred tax assets		**54,310**	60,173
Available-for-sale financial assets		**2,536**	2,535
		1,526,659	1,495,065
Current assets			
Inventories		**638,113**	454,505
Trade and other receivables	*10*	**892,001**	849,945
Taxation recoverable		**12,299**	19,522
Available-for-sale financial assets		**200,987**	114,087
Short-term deposits and investments		**2,933,924**	3,259,010
Cash and cash equivalents		**617,393**	534,134
		5,294,717	5,231,203
Total assets		**6,821,376**	6,726,268

CONSOLIDATED BALANCE SHEET *(Cont'd)*

	Note	**30 June 2015 (Unaudited)** ***HK$'000***	31 December 2014 (Audited) *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium		**825,454**	825,454
Reserves		**(641,444)**	(642,131)
Retained earnings		**989,967**	893,652
		1,173,977	1,076,975
Non-controlling interests		**23,815**	24,855
Total equity		**1,197,792**	1,101,830
Liabilities			
Non-current liabilities			
Unsecured corporate bonds		**3,449,493**	3,436,724
Bank and other borrowings		**–**	1,266,418
Deferred tax liabilities		**16,673**	7,094
		3,466,166	4,710,236
Current liabilities			
Deferred government grants		**100,154**	137,742
Advances from customers		**26,041**	17,804
Trade and other payables	*11*	**688,121**	600,980
Bank and other borrowings		**1,255,548**	66,044
Income tax payable		**87,554**	91,632
		2,157,418	914,202
Total liabilities		**5,623,584**	5,624,438
Total equity and liabilities		**6,821,376**	6,726,268
Net current assets		**3,137,299**	4,317,001
Total assets less current liabilities		**4,663,958**	5,812,066

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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information 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.

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 2014.

(i) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on 1 January 2015 did not have material impact on the results or financial position of the Group for the current period or are not currently relevant to the Group.

(ii) 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 2015 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 2018)
HKAS 1 (amendments)	Disclosure initiative (effective from 1 January 2016)
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 2016)

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

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

3 Segment information

The Group is engaged in the following two operating segments:

– Design and sale of integrated circuit 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 six months ended 30 June 2015 (unaudited)

	Design and sale of integrated circuit chips *HK$'000*	Development and management of electronic information technology industrial parks *HK$'000*	Total *HK$'000*
Segment revenue			
Sale of integrated circuit products	634,926	–	634,926
Rental income from investment properties	–	4,632	4,632
	634,926	4,632	639,558
Share of result of an associate	–	12,715	12,715
Share of result of a joint venture	–	(333)	(333)
Fair value gains on investment properties	–	1,938	1,938
Reversal of impairment provision	4,904	–	4,904
Depreciation and amortisation expenses	(21,729)	(4,251)	(25,980)
Segment results	198,892	5,318	204,210
Unallocated corporate interest income			73,464
Unallocated corporate expenses			(11,564)
Finance costs – net			(88,109)
Profit before taxation			178,001

For the six months ended 30 June 2014 (unaudited)

	Design and sale of integrated circuit chips *HK$'000*	Development and management of electronic information technology industrial parks *HK$'000*	Total *HK$'000* (Restated) *(Note 4(a))*
Segment revenue			
Sale of integrated circuit products	700,777	–	700,777
Rental income from investment properties	–	2,887	2,887
	700,777	2,887	703,664
Share of result of an associate	–	(3,892)	(3,892)
Share of result of a joint venture	–	(242)	(242)
Fair value gains on investment properties	–	10,671	10,671
Reversal of impairment provision	30,571	–	30,571
Depreciation and amortisation expenses	(13,808)	(2,453)	(16,261)
Segment results	204,297	(10,715)	193,582
Unallocated corporate interest income			46,899
Unallocated corporate expenses			(13,631)
Finance costs – net			(83,394)
Profit before taxation			143,456

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$113,133,000 (2014: HK$119,063,000), HK$98,083,000 (2014: HK$94,544,000), HK$97,394,000 (2014: HK$74,228,000) and HK$70,769,000 (2014: HK$110,617,000), respectively, are derived from 4 external customers of the Group. These revenues are attributable to the operating segment of design and sale of integrated circuit chips.

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. No geographical information is therefore presented.

4 Other income and gains – net

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Government grants	**47,036**	27,491
Interest income on short-term deposits and investments *(Note (a))*	**40,282**	46,899
Interest income on entrusted loans	**28,910**	–
Interest income on available-for-sale financial assets	**4,272**	–
Fair value gains on investment properties	**1,938**	10,671
Exchange gains/(losses)	**2,611**	(2,749)
Others	**114**	(1,160)
	125,163	81,152

(a) Interest income on short-term deposits and investments for the six months ended 30 June 2014 were reclassified from "finance income" to "other income and gains-net" to conform to current period's presentation.

5 Finance costs – net

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
		(Restated)
		(Note 4(a))
Finance costs:		
– Interest expense on borrowings	**102,506**	105,531
Less: Amounts capitalised on properties under development	**(2,735)**	(6,106)
	99,771	99,425
Finance income:		
– Interest income on cash and cash equivalents	**(11,662)**	(16,031)
Finance costs – net	**88,109**	83,394

The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was 4.58% for the six months ended 30 June 2015 (2014: 6.14%).

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	
	2015	2014
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**11,171**	5,089
Amortisation of intangible assets	**14,809**	11,172
Fair value gains on investment properties	**(1,938)**	(10,671)
Reversal of provision for inventories	**(5,525)**	(3,021)
Impairment/(reversal of impairment) provision for trade receivables	**621**	(27,550)
Operating lease expenses on properties	**10,771**	7,584

Research and development costs for the six months ended 30 June 2015 were HK$100,102,000 (2014: HK$102,975,000) and mainly comprised of employee costs of HK$45,540,000 (2014: HK$58,592,000) and material costs of HK$19,926,000 (2014: HK$10,960,000). No research and development costs were capitalised during the six months ended 30 June 2015 (2014: nil).

7 Taxation

	Unaudited Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current taxation		
– PRC corporate income tax	**14,507**	22,545
Deferred taxation		
– PRC corporate income tax	**9,962**	7,676
– Withholding tax on undistributed profits *(Note (c))*	**5,480**	5,042
	15,442	12,718
	29,949	35,263

(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 2015 (2014: 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%.

8 Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: nil).

A dividend in respect of the year ended 31 December 2014 of HK2.6 cents per share (2013: HK3.0 cents), amounting to a total dividend of HK$52,777,000, was proposed by the Board in March 2015. The dividend proposed was subsequently approved by the shareholders in June 2015 and the dividend was paid in July 2015.

9 Earnings per share

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

	Unaudited Six months ended 30 June	
	2015	2014
Profit for the period attributable to owners of the Company *(HK$'000)*	**149,092**	109,734
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	1,691,560,000

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

10 Trade and other receivables

For the design and sale of integrated circuit 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 terms available for rental income. Included in trade and other receivables are trade receivables (net of provision for impairment) of HK$787,227,000 (31 December 2014: HK$637,224,000) and their ageing analysis is as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
	HK$'000	*HK$'000*
Current to 30 days	**183,876**	220,542
31-60 days	**167,176**	185,548
Over 60 days and within 1 year	**418,829**	205,232
Over 1 year	**17,346**	25,902
	787,227	637,224

11 Trade and other payables

Included in trade and other payables are trade payables of HK$294,155,000 (31 December 2014: HK$227,685,000) and their ageing analysis is as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
	HK$'000	*HK$'000*
Current to 30 days	**94,282**	87,754
31-60 days	**66,023**	48,697
Over 60 days	**133,850**	91,234
	294,155	227,685

BUSINESS REVIEW

Results overview

Revenue of the Group for the six months ended 30 June 2015 amounted to HK$639.6 million, representing a decrease of 9.1% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$149.1 million, representing an increase of 35.9% when comparing with the corresponding period of last year, and the basic earnings per share was HK7.34 cents (2014: HK6.49 cents).

Integrated circuits design operation

The Group's integrated circuits design operation comprises the design of integrated circuit chips and the development of application system. Currently, our products are mainly used in smart cards such as identity cards, social security cards and telecommunication cards. For the six months ended 30 June 2015, the Group has obtained 19 new patents and 27 registered integrated circuits layout designs.

Due to the further intensification of market competition in 2015, the average selling prices of integrated circuit chip products were generally lower when comparing with those of the 2014. The Group has stepped up its effort in cost control and expanded the market share of its products. Through successfully boosting the sale of telecommunication card products, the overall sale volume increased by 38.7% during the six months ended 30 June 2015, which compensated some of the impact of the decrease in the average selling prices of integrated circuit chip products on the revenue for the period. Revenue for the six months ended 30 June 2015 amounted to HK$634.9 million, representing a decrease of 9.4% when comparing with the corresponding period of last year. During the period under review, the overall operating costs generally increased, and have exerted pressure on the profitability of the integrated circuits design operation.

Administrative expenses increased by 19.8% to HK$114.6 million for the six months ended 30 June 2015. The increase was mainly attributable to administrative expenses for the six months ended 30 June 2014 included an income from the reversal of impairment provision for trade receivables of HK$27.6 million.

Research and development costs were HK$100.1 million in 2015 (2014: HK$103.0 million), which represented 15.8% of the revenue for the six months ended 30 June 2015 (2014: 14.7%). Research and development during the period primarily focused on the financial integrated circuit card, mobile payment card and global navigation system chip products.

Government grants recognised as income increased by 72.6% to HK$39.0 million for the six months ended 30 June 2015 resulted from more government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2015, profit attributable to the integrated circuit design operating segment amounted to HK$198.9 million, representing a decrease of 2.6% when comparing with the corresponding period of last year.

During the period, the Group took one significant step to swiftly capitalise on the enormous market opportunities created by the development of the integrated circuit industry. In June 2015, Huada Electronics entered into acquisition agreements to acquire the controlling interest in Shanghai Huahong Integrated Circuit Co., Ltd ("Huahong"). Established in 1998, Huahong is an industrial leader in the design of the integrated circuit sector in the PRC. It has a comprehensive domestic smart card product line, with technology focusing on the design and system development of contact, contactless and dual-interface integrated circuit chips, which are widely used in sectors such as social security (social security cards), telecommunications (telecommunication cards), public transport (public transport cards), identity authentication (identity cards and residence permits), electronic travel documents (electronic passports) and financial security (bank cards). The acquisition of Huahong provides the Group with a valuable opportunity in broadening its business coverage and will enable the Group to become a formidable force within the industry. The acquisition of Huahong is expected to be completed by 2016.

Looking forward, on the one hand, the Group will continue to adhere to its independent innovation development strategy, increase its investments in science and technology, and actively expand into new smart card application business such as financial security and other chip design segments. On the other hand, it will grasp the development opportunities arising from the integrated circuits design sector and strive to maintain its leading position in that sector.

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 had already been acquired, and application will be made to the government for the purchase of the remaining approximately 1,210 Mu. The park targets at 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 customized specifically for enterprises with over 500 employees, occupying a site area of approximately 490 Mu and will be constructed along the riverside 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, 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 the 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 total gross floor area of approximately 34,000 square metres. The construction of Mingyue Ju was completed in December 2014. Mingyue Ju is held for sale and, of which approximately 1,000 square metres and 15,000 square metres were sold during the six months ended 30 June 2015 and as at 30 June 2015 respectively.

II. 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 was substantially completed as at 31 December 2014. In early 2015, owing to market demand, fine-tuning works were carried out to add supermarket element in the commercial street complex. Completion and grand opening is scheduled in the second 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 30 June 2015.

III. The large-scale enterprises zone in Plot C consists of five phases, and construction has commenced in the first half of 2014. Phase 1 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 the 13 office buildings of Phase 1 were topped off as at 30 June 2015 and the construction is scheduled for completion in the second half of 2015. Upon completion, they are intended to be held either for sale or rental purposes.

    Phase 2 is divided into southern and northern areas and consists of 41 office buildings with a total gross floor area of 197,000 square metres. The construction has commenced in the first half of 2015. The gross floor area of these buildings ranges from 1,700 to 17,000 square metres. At 30 June 2015, the main structure of 8 office buildings were topped off and the construction of the other 33 office buildings has commenced. The construction of the 41 office buildings of Phase 2 is scheduled for completion in the second half of 2016. Upon completion, they are intended to be held either for sale or rental purposes.

IV. Youth entrepreneurship blocks zone in Plot G is planned to consist of three phases. Phase 1 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 30 June 2015, the main structure was 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.

V. With 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）, 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. As at 30 June 2015, there were approximately 550 enterprises operating in Hainan RSC.

Xi'an Industrial Park

Xi'an Industrial Park is situated in 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 at 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 1 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 1 is scheduled for completion in the third quarter of 2015. No. 1 to No. 4 building of Phase 1 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 1 is intended to be held for rental purposes and is currently at the pre-leasing stage.

Phase 2 consists of 9 buildings. No. 1 to No. 7 building are single block office building with gross floor area ranges from 2,000 to 6,000 square metres, and the gross floor area of No. 8 office building 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 2 has commenced in the first half of 2014 and is scheduled for completion in the third quarter of 2015. Construction of No. 1 to No. 8 building of Phase 2 has commenced in the second half of 2014. Owing to market demand and favorable policies introduced during the construction, modification has been made to the development of Phase 2. The construction of

No. 1 to No. 7 building is scheduled for completion in the first half of 2016. The construction of No. 8 building is scheduled for completion in 2017. No. 1 to No. 7 building of Phase 2 are intended to be held for sale and are currently at the pre-marketing stage. No. 9 building of Phase 2 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 2 is intended to be held for rental purposes.

Beihai Industrial Park

Beihai Industrial Park is situated in Beihai, Guangxi. The park targets at 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. In order to cater for the development needs of emerging high-tech industries such as electronic commerce, software development and information services, smart manufacturing and innovative design, a preliminary intention had been formed for the construction of Beihai Software Information Industrial Park, which will form an integral part of Beibu Gulf Eco-Wisdom Electronics City. As at 30 June 2015, the preliminary site selection of the project had been completed and the related feasibility study analysis had been commissioned.

In addition, CEC Beihai has also been actively communicating with relevant government departments for the purchase of a piece of land with a site area of approximately 170 Mu designated for commercial development by the seaside. The site will be developed into Beibu Gulf CEC Plaza, and it is intended that it will become the preferred commercial services zone for Beibu Gulf Eco-Wisdom Electronics City. This commercial and residential development will offer space for business, residential and hospitality. As at 30 June 2015, the conceptual design of the project has been completed.

At the same time, in order to upgrade the facilities of the Beihai Industrial Park, CEC Beihai has commenced the second phase construction of Beihai Industrial Park. It consists of the construction of an incubation building with a gross floor area of approximately 18,000 square metres, and the establishment of a public services zone for enterprises incubation providing incubation platform in order to promote and nurture quality enterprise to operate in the park. As at 30 June 2015, preliminary preparation works of the incubation building had been completed. The construction of the incubation building is scheduled to commence in the second half of 2015 and for completion in 2016.

For the six months ended 30 June 2015, profit attributable to the electronic information technology industrial parks operating segment amounted to HK$5.3 million, an improvement when comparing with the loss of HK$10.7 million in the corresponding period of last year.

Electronic information technology industrial park market in the PRC is still at its initial development stage. Given the Group's electronic information technology industrial parks are all located at sites which offer convenient transportation and affluent economic resources, various favorable policies such as "Policies regarding the support for the development of the State's information technology bases and industrial parks" promulgated by the PRC government that are being rolled out to support the industry, the comprehensive supporting facilities within the industrial parks and the funding obtained from the issue of the unsecured bonds in 2014 will be catalysts for the sustainable development of these industrial parks.

Looking forward, under the industrial development concepts of "soliciting industry leading enterprise, establishing industrial platform, building incubation mechanism and nourishing benchmarking enterprises to take shape of a sound industrial ecosphere", Hainan RSC will be focusing on developing internet and cultural creativity industries. With the opportunities that are presented and the strategies that are to be adopted as well as the support from China Electronics Corporation Limited ("CEC"), the Group's electronic information technology industrial parks will eventually be transformed into fully-functional eco-wisdom electronics cities, which will ensure the Group's sustainable growth.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: nil).

FINANCIAL REVIEW

The Group generally finance its working capital and funding requirements through internal resources, bank and other borrowings, and issuance of corporate bonds. At 30 June 2015, the Group had cash and cash equivalents amounted to HK$617.4 million, 98.7% of which was denominated in Renminbi, 0.8% in United States dollars and 0.5% in Hong Kong dollars (31 December 2014: 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).

At 30 June 2015, the Group had bank and other borrowings of HK$1,255.5 million, all of which were denominated in Renminbi (31 December 2014: HK$1,332.5 million, all of which were denominated in Renminbi). Among these borrowings, (i) HK$1,027.2 million were secured by short-term deposits of the Group (31 December 2014: HK$65.9 million and HK$1,266.5 million were secured by non-current assets and short-term deposits of the Group respectively), and HK$228.3 million were unsecured and of which HK$228.2 million were guaranteed by CEC for the Group (31 December 2014: HK$0.1 million were unsecured), and (ii) all borrowings were borrowed at fixed interest rates (31 December 2014: HK$1,266.5 million and HK$66.0 million were borrowed at fixed and variable interest rates respectively). At 30 June 2015, committed borrowing facilities available to the Group but not drawn amounted to HK$697.3 million.

On 16 January 2014, the Company issued a 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750 million (the "Bonds"). 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% of the outstanding shares of the Company.

At 30 June 2015, certain assets of the Group with an aggregate carrying value of HK$1,306.7 million (31 December 2014: HK$1,464.7 million) were pledged as collateral for borrowings obtained by its subsidiaries.

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 2015, the Group had net current assets of HK$3,137.3 million (31 December 2014: HK$4,317.0 million). The overall gearing ratio, which is calculated as the total liabilities over the total assets of the Group, was 82.4% (31 December 2014: 83.6%).

At 30 June 2015, the Group did not have any material capital commitment (31 December 2014: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 30 June 2015 (31 December 2014: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2015, the Group had approximately 490 employees, the majority of whom were based in the PRC. Employee benefit expenses during the period were HK$81.0 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 2015.

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 2015.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2015.

PUBLICATION OF INTERIM REPORT

The 2015 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, 24 August 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 three Independent Non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Chow Chan Lum.