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 ANNUAL RESULTS ANNOUNCEMENT

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 2015 as follows:

AUDITED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Revenue	**1,264,001**	1,351,723
Cost of sales	**(713,828)**	(773,275)
Gross profit	**550,173**	578,448
Other income and gains – net	**163,625**	122,408
Selling and marketing costs	**(64,663)**	(98,135)
Administrative expenses	**(308,754)**	(243,679)
Operating profit	**340,381**	359,042
Finance income	**30,758**	40,476
Finance costs	**(178,058)**	(181,454)
Finance costs – net	**(147,300)**	(140,978)
Profit before taxation	**193,081**	218,064
Taxation	**(30,011)**	(45,318)
Profit for the year from continuing operations	**163,070**	172,746
Discontinued operation		
Profit/(loss) for the year from discontinued operation	**133,688**	(5,707)
Profit for the year	**296,758**	167,039

* *For identification purpose only*

AUDITED CONSOLIDATED INCOME STATEMENT *(Cont'd)*

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) for the year attributable to:		
Owners of the Company	**280,134**	170,108
Non-controlling interests	**16,624**	(3,069)
	296,758	167,039
Profit/(loss) for the year attributable to owners of the Company arises from:		
Continuing operations	**163,070**	172,746
Discontinued operation	**117,064**	(2,638)
	280,134	170,108
Dividends	**60,896**	52,777
	HK cents	*HK cents*
Basic earnings/(loss) per share		
Continuing operations	**8.03**	9.70
Discontinued operation	**5.77**	(0.15)
	13.80	9.55

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**296,758**	167,039
Other comprehensive income for the year:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(70,932)**	(6,656)
Total comprehensive income for the year	**225,826**	160,383
Total comprehensive income for the year attributable to:		
Owners of the Company	**209,202**	163,452
Non-controlling interests	**16,624**	(3,069)
	225,826	160,383
Total comprehensive income for the year attributable to owners of the Company arises from:		
Continuing operations	**108,856**	166,901
Discontinued operation	**100,346**	(3,449)
	209,202	163,452

AUDITED CONSOLIDATED BALANCE SHEET

	31 December 2015 HK$'000	31 December 2014 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**399,459**	414,630
Investment properties	**–**	409,401
Land use rights held for self-use	**13,219**	15,973
Intangible assets	**15,431**	8,453
Investment in an associate	**–**	55,508
Investment in a joint venture	**–**	21,338
Trade and other receivables	**68,175**	507,054
Deferred tax assets	**24,963**	60,173
Available-for-sale financial assets	**2,387**	2,535
	523,634	1,495,065
Current assets		
Inventories	**136,949**	454,505
Trade and other receivables	**849,109**	849,945
Taxation recoverable	**7,046**	19,522
Available-for-sale financial assets	**147,237**	114,087
Short-term deposits and investments	**1,846,675**	3,259,010
Cash and cash equivalents	**696,467**	534,134
	3,683,483	5,231,203
Assets of disposal group classified as held for sale	**1,972,040**	–
	5,655,523	5,231,203
Total assets	**6,179,157**	6,726,268

AUDITED CONSOLIDATED BALANCE SHEET *(Cont'd)*

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital and premium	**825,454**	825,454
Reserves	**(765,840)**	(642,131)
Retained earnings	**1,173,786**	893,652
	1,233,400	1,076,975
Non-controlling interests	**41,479**	24,855
Total equity	**1,274,879**	1,101,830
Liabilities		
Non-current liabilities		
Unsecured corporate bonds	**3,258,479**	3,436,724
Bank and other borrowings	**–**	1,266,418
Deferred tax liabilities	**5,686**	7,094
	3,264,165	4,710,236
Current liabilities		
Deferred government grants	**54,015**	137,742
Advances from customers	**730**	17,804
Trade and other payables	**444,694**	600,980
Bank and other borrowings	**–**	66,044
Income tax payable	**21,919**	91,632
	521,358	914,202
Liabilities of disposal group classified as held for sale	**1,118,755**	–
	1,640,113	914,202
Total liabilities	**4,904,278**	5,624,438
Total equity and liabilities	**6,179,157**	6,726,268

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 (the "PRC").

The principal activities of the Group are the design and sale of integrated circuit 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.

(b) New standards, amendments to standards and interpretations

During the year ended 31 December 2015, 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 2015:

Annual improvements 2012	Changes from the 2010-2012 cycle of the annual improvements project
Annual improvements 2013	Changes from the 2011-2013 cycle of the annual improvements project
HKAS 19 (amendments)	Employee benefits

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 operation of the Group have been issued but are not effective for the accounting period beginning on 1 January 2015 and have not been early adopted:

Annual improvements 2014	Changes from the 2012-2014 cycle of the annual improvements project (effective from 1 January 2016)
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation (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 (not yet determined)
HKAS 27 (amendments)	Equity method in separate financial statements (effective from 1 January 2016)
HKAS 1 (amendments)	Disclosure initiative (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)

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

(c) Going concern

The Company has liabilities under unsecured bonds in the principal amount of Renminbi ("RMB") 2,750,000,000 (the "Bonds") due for repayment on 16 January 2017, which is just beyond 12 months from the date of these financial statements (but within 12 months from the date of approval of these financial statements). In determining whether the Company will continue as a going concern for the next twelve months from the date of these financial statements, the directors have relied on the financial undertaking provided by CEC, the ultimate holding company of the Company, to the Company in the form of a keepwell deed (the "Keepwell Deed") in connection with the issue of the Bonds.

Under the Keepwell Deed, if the Company at any time determines that it has insufficient liquidity to meet its payment obligations as they fall due, it shall promptly notify CEC of the shortfall and CEC shall make available to the Company, before the due date of the relevant payment obligations under the Bonds, funds sufficient to enable the Group to meet such payment obligations in full as they fall due.

Taking into account the financial resources available to the Group, including the internally generated funds, the available committed borrowing facilities and the aforesaid financial support provided by CEC, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due and to carry on its business as a going concern for the next twelve months from the date of these financial statements. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

(d) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the year ended 31 December 2015, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(e) 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 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750 million 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 with effect from 1 January 2014 due to the change in the currency of financing and the fact that majority of the future cash receipts (mainly dividend income) and payment (mainly interest expense) of the Company are expected to be in RMB.

REVENUE AND 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.

The development and management of electronic information technology industrial parks segment was classified as discontinued operation of the Group.

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 2015

	Continuing operations – Design and sale of integrated circuit chips *HK$'000*	**Discontinued operation – Development and management of electronic information technology industrial parks** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Sale of integrated circuit products	**1,264,001**	**–**	**1,264,001**
Rental income from investment properties	**–**	**13,291**	**13,291**
	1,264,001	**13,291**	**1,277,292**
Share of result of an associate	**–**	**44,276**	**44,276**
Share of result of a joint venture	**–**	**(2,571)**	**(2,571)**
Fair value gains on investment properties	**–**	**95,649**	**95,649**
Reversal of impairment provision/(impairment provision)	**12,792**	**(156)**	**12,636**
Depreciation and amortisation expenses	**(50,805)**	**(5,040)**	**(55,845)**
Segment results	**321,194**	**123,019**	**444,213**
Unallocated corporate interest income			**116,518**
Unallocated corporate expenses			**(42,160)**
Finance costs – net			**(166,796)**
Profit before taxation			**351,775**

For the year ended 31 December 2014

	Continuing operations – Design and sale of integrated circuit chips *HK$'000*	Discontinued operation – Development and management of electronic information technology industrial parks *HK$'000*	Total *HK$'000*
Segment revenue			
Sale of integrated circuit 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

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$213,306,000 (2014: HK$174,233,000), HK$173,697,000 (2014: HK$172,474,000), HK$168,271,000 (2014: HK$161,426,000) and HK$148,295,000 (2014: HK$128,834,000), 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. Save as disclosed herein, no revenues derived from a single external customer have exceeded 10% of the total revenues of the Group.

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Government grants	**112,808**	63,279
Exchange losses	**(4,439)**	(956)
Interest income on short-term deposits and investments	**56,940**	62,147
Interest income on available-for-sale financial assets	**4,407**	1,056
Others	**(6,091)**	(3,118)
	163,625	122,408
Discontinued operation		
Government grants	**6,784**	8,254
Fair value gains on investment properties	**95,649**	23,859
Interest income on entrusted loans	**52,827**	13,455
Interest income on available-for-sale financial assets	**2,344**	–
Others	**3,651**	(2,702)
	161,255	42,866

EXPENSES BY NATURE

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

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Depreciation and amortisation expenses	**50,805**	34,288
Employee benefit expenses	**174,602**	178,267
Changes in inventories of finished goods and work in progress	**111,633**	42,682
Raw materials and consumables used	**601,854**	738,556
Reversal of impairment for trade and other receivables	**(828)**	(38,340)
Reversal of provision for inventories	**(11,964)**	(12,925)
Operating lease expenses on properties	**16,865**	17,392
Auditor's remuneration	**6,787**	3,942
Discontinued operation		
Depreciation and amortisation expenses	**5,040**	6,828
Employee benefit expenses	**19,414**	22,217
Impairment provision for trade and other receivables	**156**	10,120
Operating lease expenses on properties	**817**	–
Auditor's remuneration	**335**	317

Research and development costs for the continuing operations for the year ended 31 December 2015 were HK$230,220,000 (2014: HK$214,187,000) and mainly comprised of employee costs of HK$120,957,000 (2014: HK$114,663,000) and material costs of HK$33,894,000 (2014: HK$34,334,000). No research and development costs were capitalised during the year ended 31 December 2015 (2014: nil).

FINANCE COSTS – NET

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Finance costs:		
– Interest expense on borrowings	**178,058**	181,454
Finance income:		
– Interest income on cash and cash equivalents	**(30,758)**	(40,476)
Finance costs – net	**147,300**	140,978
Discontinued operation		
Finance costs:		
– Interest expense on borrowings	**45,389**	37,468
Less: Amounts capitalised on properties under development *(Note (a))*	**(20,762)**	(13,199)
	24,627	24,269
Finance income:		
– Interest income on cash and cash equivalents	**(5,131)**	(15,029)
Finance costs – net	**19,496**	9,240

(a) The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was 4.60% for the year ended 31 December 2015 (2014: 5.00%).

TAXATION

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current taxation		
– PRC corporate income tax	**16,640**	19,687
– Withholding tax on distributed profits	**8,448**	5,958
	25,088	25,645
Deferred taxation		
– PRC corporate income tax	**3,711**	16,654
– Withholding tax on undistributed profits	**1,212**	3,019
	4,923	19,673
	30,011	45,318
Discontinued operation		
Deferred taxation		
– PRC corporate income tax	**25,006**	3,817

(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 (2014: nil).

(b) CEC Huada Electronic Design Co., Ltd ("Huada Electronics") qualified as a "high and new technology enterprise" and thus enjoyed a 15% preferential tax rate from 1 January 2015 to 31 December 2017 instead of the statutory tax rate of 25%. In 2014, Huada Electronics qualified as an "Integrated Circuit Design Enterprises in National Planning Layout" and thus enjoyed a 10% preferential tax rate.

(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:

	2015	2014
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Profit before taxation	**193,081**	218,064
Calculated at respective applicable statutory tax rates	**60,559**	63,014
Effect of tax concession	**(22,108)**	(39,095)
Research and development costs additional deductions	**(23,923)**	(20,782)
Expenses not deductible for taxation purposes	**877**	3,066
Effect of change in tax rate on deferred taxation	**(20,514)**	9,367
Withholding tax on distributed profits and current year's undistributed profits	**9,660**	8,977
Tax losses for which no deferred tax asset was recognised	**25,460**	20,771
Taxation expense	**30,011**	45,318
Discontinued operation		
Profit/(loss) before taxation	**158,694**	(1,890)
Calculated at respective applicable statutory tax rates	**39,674**	(473)
Income not subject to tax	**(10,426)**	(4,475)
Expenses not deductible for taxation purposes	**425**	4,162
Temporary differences for which no deferred tax asset was recognised	**2,407**	2,446
Utilisation of previously unrecognised tax losses	**(7,077)**	–
Tax losses for which no deferred tax asset was recognised	**3**	2,157
Taxation expense	**25,006**	3,817

DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Proposed dividend	**60,896**	52,777

Dividend in respect of the year ended 31 December 2015 of HK3.0 cents per share (2014: HK2.6 cents per share) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting. The total amount of HK$60,896,000 (2014: HK$52,777,000) of the proposed dividend, calculated based on the Company's number of shares issued at the date of this announcement, is not recognised as a liability in these consolidated financial statements.

EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the following data:

	2015	2014 (Restated)
Continuing operations		
Profit for the year from continuing operations attributable to owners of the Company *(HK$'000)*	**163,070**	172,746
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	1,781,467,573
Basic earnings per share *(HK cents)*	**8.03**	9.70
Discontinued operation		
Profit/(loss) for the year from discontinued operation attributable to owners of the Company *(HK$'000)*	**117,064**	(2,638)
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**2,029,872,000**	1,781,467,573
Basic earnings/(loss) per share *(HK cents)*	**5.77**	(0.15)
Continuing and discontinued operations		
Profit for the year attributable to owners of the Company *(HK$'000)*	**280,134**	170,108
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	1,781,467,573
Basic earnings per share *(HK cents)*	**13.80**	9.55

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$831,541,000 (2014: HK$637,224,000). 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 term available for rental income. At 31 December 2015, the ageing analysis of the trade receivables (net of provision for impairment) based on revenue recognition date are as follows:

	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**183,035**	220,542
31 – 60 days	**171,545**	185,548
Over 60 days and within 1 year	**471,198**	205,232
Over 1 year	**5,763**	25,902
	831,541	637,224

TRADE PAYABLES

Included in trade and other payables are trade payables of HK$156,718,000 (2014: HK$227,685,000) and their ageing analysis mainly based on the date of invoices is as follows:

	2015	2014
	HK$'000	*HK$'000*
Current to 30 days	**73,459**	87,754
31 – 60 days	**44,061**	48,697
Over 60 days	**39,198**	91,234
	156,718	227,685

ASSETS/LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

On 14 December 2015, the Company entered into an equity interest transfer agreement with Optics Valley Union Holding Company Limited ("OVU"), an independent third party and AAA Finance & Investment Limited ("HK3A"), a wholly-owned subsidiary of OVU, for the disposal of 100% equity interest in China Electronics Technology Development Co., Ltd ("CEC Technology") to OVU and HK3A for RMB699,854,600 which is to be settled in the form of 1,058,530,083 new OVU shares (the "Disposal"). CEC Technology and its subsidiaries ("CEC Technology Group") is principally engaged in the development and management of electronic information technology industrial parks in the PRC and represents a separate major line of business of the Group. Upon completion of the Disposal, CEC Technology will cease to be a wholly-owned subsidiary of the Company.

As the directors are of the view that it is highly probable that the completion of the Disposal will take place in 2016, the financial position and financial performance of CEC Technology Group was presented in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations".

The assets and liabilities related to CEC Technology Group have been presented as disposal group classified as held for sale. The assets and liabilities of CEC Technology Group were measured at its carrying amount, which was lower than the fair value less costs to sell as at 31 December 2015.

The operation of CEC Technology Group for the year ended 31 December 2015 was presented as discontinued operation in the consolidated financial statements. The consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2014 and the related disclosure notes have been re-presented to separate the disclosures relating to the discontinued operation from that of the continuing operations.

(a) Assets of disposal group classified as held for sale:

	31 December 2015 *HK$'000*
Non-current assets	
Property, plant and equipment	**19,936**
Investment properties	**565,713**
Land use rights held for self-use	**228**
Intangible assets	**11**
Investment in an associate	**94,820**
Investment in a joint venture	**17,621**
Deferred tax assets	**30,653**
	728,982
Current assets	
Inventories	**288,484**
Trade and other receivables	**756,474**
Available-for-sale financial assets	**41,777**
Cash and cash equivalents	**156,323**
	1,243,058
Total assets	**1,972,040**

(b) Liabilities of disposal group classified as held for sale:

	31 December 2015 HK$'000
Non-current liabilities	
Deferred tax liabilities	**29,005**
Current liabilities	
Advances from customers	**22,363**
Trade and other payables	**98,641**
Bank and other borrowings	**901,573**
Income tax payable	**67,173**
	1,089,750
Total liabilities	**1,118,755**

(c) The results of the discontinued operation are set out below:

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Profit/(loss) for the year from discontinued operation		
Revenue	**13,291**	5,339
Costs of sales	**(4,025)**	(492)
Gross profit	**9,266**	4,847
Other income and gains – net	**161,255**	42,866
Selling and marketing costs	**(4,116)**	(7,943)
Administrative expenses	**(29,920)**	(50,318)
Operating profit/(loss)	**136,485**	(10,548)
Finance income	**5,131**	15,029
Finance costs	**(24,627)**	(24,269)
Finance costs – net	**(19,496)**	(9,240)
Share of result of an associate	**44,276**	18,840
Share of result of a joint venture	**(2,571)**	(942)
Profit/(loss) before taxation	**158,694**	(1,890)
Taxation	**(25,006)**	(3,817)
Profit/(loss) for the year from discontinued operation	**133,688**	(5,707)
Profit/(loss) for the year from discontinued operation attributable to:		
Owners of the Company	**117,064**	(2,638)
Non-controlling interests	**16,624**	(3,069)
	133,688	(5,707)

SUBSEQUENT EVENTS

On 26 June 2015 and 27 August 2015, Huada Electronics and the shareholders of Shanghai Huahong Integrated Circuit Co., Ltd (上海華虹集成電路有限責任公司) ("Huahong") entered into equity transfer agreements, pursuant to which Huada Electronics has agreed to acquire 95.64% equity interest in Huahong for a total consideration of RMB717.3 million (the "Acquisition"). As at 31 December 2015, Huada Electronics paid a deposit of RMB57,115,000 (equivalent to HK$68,175,000) for the Acquisition. The Acquisition was completed in February 2016.

BUSINESS REVIEW

Results overview

Revenue of the Group for the year ended 31 December 2015 amounted to HK$1,277.3 million, representing a decrease of 5.9% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$280.1 million, representing an increase of 64.7% when comparing with the corresponding period of last year, and the basic earnings per share was HK13.80 cents (2014: HK9.55 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 sectors such as identity authentication (identity cards), social security (social security cards) and telecommunication (SIM cards). For the year ended 31 December 2015, the Group has obtained 24 new patents and 34 registered integrated circuits layout designs.

In 2015, the Group responded actively to market changes, endeavoured to overcome the adverse impact that arose from the macro-economic growth slowdown, and strengthened its clients' marketing efforts to expand its market share. For the year ended 31 December 2015, the sales volume of the Group's products increased by 6.8% when comparing with the corresponding period of last year. However, as market price competition was further intensified in 2015, along with the fact that the increased in sales volume of the Group was mainly attributable to integrated circuit chips with a lower unit price, resulting in a general decrease in average selling price of the products sold in 2015 when comparing with that of 2014. Revenue for the year ended 31 December 2015 was HK$1,264.0 million, representing a decrease of 6.5% when comparing with the corresponding period of last year. During 2015, the Group optimised its supply chain processing flow, enhanced its budget control and management on costs and expenses, and achieved certain reductions in its overall operating costs.

Selling and marketing costs for the year ended 31 December 2015 amounted to HK$64.7 million (2014: HK$98.1 million). As a percentage to revenue, selling and marketing costs decreased to 5.1% for the year ended 31 December 2015 from 7.3% of the corresponding period of last year. The decrease was due to stringent cost control measures implemented during the year.

Administrative expenses increased by 26.7% to HK$308.8 million for the year ended 31 December 2015. The increase was mainly attributable to (i) administrative expenses for the year ended 31 December 2014 included an income from the reversal of impairment provision for trade receivables of HK$38.3 million (2015: HK$0.8 million); and (ii) increase in research and development costs.

Research and development costs were HK$230.2 million in 2015 (2014: HK$214.2 million), which represented 18.2% of the revenue for the year ended 31 December 2015 (2014: 15.8%). Research and development during the year primarily focused on the development of the financial integrated circuit card chip products, development of the telecommunication and mobile payment integrated circuit card chip products and enhancement of key chip design technologies and design capability.

Government grants recognised as income increased by 78.3% to HK$112.8 million for the year ended 31 December 2015 resulted from more government subsidies for research and development costs incurred in the year.

For the year ended 31 December 2015, profit attributable to the integrated circuit design operating segment amounted to HK$321.2 million, representing a decrease of 1.5% when comparing with the corresponding period of last year.

Electronic information technology industrial parks operation

The Group's electronic information technology industrial parks operation mainly 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 1,800 Mu of land has already been acquired, and application to the government for the purchase of the remaining approximately 1,200 Mu is in progress. 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 customised 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 (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 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 as at 31 December 2015, approximately 18,300 square metres have been sold in total, of which approximately 4,300 square metres were sold during the year ended 31 December 2015. During the year ended 31 December 2015, approximately 17,400 square metres of the completed Integrated Service Residential project in Plot B were sold.

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. The construction of the commercial street complex was completed at the end of 2015. The commercial street is held for rental purposes and leasing went well as at 31 December 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. Construction of the 13 office buildings of Phase 1 were completed in December 2015. Phase 1 is held for sale and 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. As at 31 December 2015, the main structure of 35 office buildings were topped off and the construction of the other 6 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. The construction of Phase 1 has commenced in the first half of 2014 and was completed in the second half of 2015. As at 31 December 2015, approximately 20,200 square metres were sold.

V. With respect of business development, 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 31 December 2015, there were approximately 810 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 was substantially completed as at 31 December 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.

Owing to market demand and favorable policies introduced during the construction, modification has been made to the development of Phase 2. Phase 2's design has been revised to consist of 8 buildings and fire protection system and standby power supply system for both Phase 1 and Phase 2. No. 1 and No. 3 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 was delivered for use in 2015. Construction of No. 1 and No. 3 to No. 8 building of Phase 2 has commenced in the second half of 2014 and is scheduled for completion in 2017. No. 1 and No. 3 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 held for rental purposes and was leased out for a term of 10 years. 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 China Electronics Beibu Gulf Information Harbour, which will form an integral part of Beibu Gulf Eco-Wisdom Electronics City. As at 31 December 2015, the preliminary preparation works such as site selection of the project had been completed. Acquisition of a piece of land with site area of approximately 160 Mu for the development of first phase of the project is expected to be completed by first half of 2016.

Due to the development of China Electronics Beibu Gulf Information Harbour, the second phase construction to upgrade the facilities of Beihai Industrial Park has been temporary put on hold.

For the year ended 31 December 2015, profit attributable to the electronic information technology industrial parks operating segment amounted to HK$123.0 million, representing a significant improvement when comparing with the loss of HK$6.1 million in the corresponding period of last year. The profit recorded for the year was primarily due to (i) fair value gains on investment properties increased by 300.8% to HK$95.6 million for the year ended 31 December 2015; and (ii) the Group's share of profit from an associate company, Hainan Resort Software Community Investment and Development Co., Ltd increased by 135.0% to HK$44.3 million for the year ended 31 December 2015.

OUTLOOK

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.

FINANCIAL RESOURCES AND LIQUIDITY

The Group generally finances its working capital and funding requirements through internal resources, bank and other borrowings, and issuance of corporate bonds. At 31 December 2015, the Group had cash and cash equivalents amounted to HK$852.8 million, 98.8% of which were denominated in Renminbi, 0.7% in United States dollars and 0.5% in Hong Kong dollars (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 31 December 2015, the Group had total bank and other borrowings of HK$901.6 million, all of which were denominated in Renminbi (2014: HK$1,332.5 million, all of which were denominated in Renminbi). Among these borrowings, (i) all were secured by short-term deposits of the Group (2014: HK$65.9 million were secured by non-current assets of the Group, HK$1,266.5 million were secured by short-term deposits of the Group, and HK$0.1 million were unsecured), and (ii) all were borrowed at fixed interest rate (2014: HK$1,266.5 million and HK$66.0 million were borrowed at fixed and variable interest rates respectively). At 31 December 2015, committed borrowing facilities available to the Group but not drawn amounted to HK$865.0 million.

On 16 January 2014, the Company issued 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 the 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, in the event that the Company is unable to fulfil its payment obligations, provide sufficient fund to the Group to enable the Group to meet its payment obligations.

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 2015, the Group had net current assets of HK$4,015.4 million (2014: HK$4,317.0 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 79.4% (2014: 83.6%).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding capital commitments at the end of the reporting period:

	31 December 2015	31 December 2014
	HK$'million	*HK$'million*
Contracted but not provided for:		
– Acquisition of 95.64% equity interest in Huahong	**788.0**	–
– Subscription of 1,491,469,917 new OVU shares	**1,193.2**	–
	1,981.2	–

The Group did not have any material contingent liability at 31 December 2015 (2014: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2015, the Group had approximately 520 employees, the majority of whom were based in the PRC. Employee benefit expenses for the year were HK$194.0 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.

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the year ended 31 December 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 to the Listing Rules throughout the year ended 31 December 2015.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 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 2015 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
Dong Haoran
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Dong Haoran (Chairman) and Mr. Jiang Juncheng, two Executive Directors, namely Mr. Ma Yuchuan (Vice Chairman) and Mr. Liu Hongzhou (Managing Director), and three Independent Non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng and Mr. Chow Chan Lum.