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)

2016 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 2016 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Revenue	*4*	**652,108**	890,320
Cost of sales		**(385,552)**	(530,202)
Gross profit		**266,556**	360,118
Other income and gains – net	*5*	**31,217**	108,828
Selling and marketing costs		**(52,415)**	(37,919)
Administrative expenses		**(196,272)**	(227,686)
Operating profit		**49,086**	203,341
Finance income	*6*	**18,386**	10,353
Finance costs	*6*	**(91,497)**	(87,791)
Finance costs – net	*6*	**(73,111)**	(77,438)
Share of result of an associate	*7*	**409,448**	–
Share of result of a joint venture		**342**	3
Profit before taxation	*8*	**385,765**	125,906
Taxation	*9*	**(2,289)**	(26,256)
Profit for the period from continuing operations		**383,476**	99,650
Discontinued operation			
Profit for the period from discontinued operation	*10*	**647,781**	27,549
Profit for the period		**1,031,257**	127,199

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT *(Cont'd)*

	Note	Unaudited Six months ended 30 June **2016** ***HK$'000***	 2015 *HK$'000* (Restated)
Profit/(loss) for the period attributable to:			
Owners of the Company		**1,031,547**	133,780
Non-controlling interests		**(290)**	(6,581)
		1,031,257	127,199
Profit for the period attributable to owners of the Company arises from:			
Continuing operations		**382,830**	105,191
Discontinued operation		**648,717**	28,589
		1,031,547	133,780
		HK cents	*HK cents*
Basic earnings per share	*12*		
Continuing operations		**18.86**	5.18
Discontinued operation		**31.96**	1.41
		50.82	6.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**1,031,257**	127,199
Other comprehensive income for the period:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(30,054)**	779
Total comprehensive income for the period	**1,001,203**	127,978
Total comprehensive income for the period attributable to:		
Owners of the Company	**1,001,749**	134,534
Non-controlling interests	**(546)**	(6,556)
	1,001,203	127,978
Total comprehensive income for the period attributable to owners of the Company arises from:		
Continuing operations	**361,041**	105,813
Discontinued operation	**640,708**	28,721
	1,001,749	134,534

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2016 (Unaudited) *HK$'000***	31 December 2015 (Audited) *HK$'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**460,231**	450,825
Land use rights held for self-use		**12,721**	13,219
Intangible assets		**12,967**	15,431
Investment in an associate		**2,576,948**	–
Investment in a joint venture		**5,995**	5,776
Other receivables		**–**	68,175
Deferred tax assets		**14,851**	24,963
Available-for-sale financial assets		**2,339**	2,387
		3,086,052	580,776
Current assets			
Inventories		**282,376**	296,365
Trade and other receivables	*13*	**2,391,456**	1,094,052
Taxation recoverable		**24,776**	7,047
Available-for-sale financial assets		**228,012**	147,237
Short-term deposits and investments		**17,539**	1,846,675
Cash and cash equivalents		**199,637**	777,065
		3,143,796	4,168,441
Assets of disposal group classified as held for sale		**–**	1,972,040
		3,143,796	6,140,481
Total assets		**6,229,848**	6,721,257

CONSOLIDATED BALANCE SHEET *(Cont'd)*

	Note	**30 June 2016 (Unaudited)** ***HK$'000***	31 December 2015 (Audited) *HK$'000* (Restated)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium		**825,454**	825,454
Reserves		**(1,318,259)**	(530,182)
Retained earnings		**2,172,412**	1,140,865
		1,679,607	1,436,137
Non-controlling interests		**12,429**	114,838
Total equity		**1,692,036**	1,550,975
Liabilities			
Non-current liabilities			
Unsecured corporate bonds		**–**	3,258,479
Deferred tax liabilities		**5,348**	5,686
		5,348	3,264,165
Current liabilities			
Deferred government grants		**93,604**	122,271
Advances from customers		**3,440**	3,170
Trade and other payables	*14*	**804,596**	609,473
Unsecured corporate bonds		**3,203,423**	–
Bank and other borrowings		**378,730**	17,904
Income tax payable		**48,671**	34,544
		4,532,464	787,362
Liabilities of disposal group classified as held for sale		**–**	1,118,755
		4,532,464	1,906,117
Total liabilities		**4,537,812**	5,170,282
Total equity and liabilities		**6,229,848**	6,721,257

Notes:

1 General information

On 26 June and 27 August 2015, the Group entered into agreements to acquire 73.43% equity interest in Shanghai Huahong Integrated Circuit Co., Ltd ("Huahong") from Huada Semiconductor Co., Ltd, the controlling shareholder of the Company and Huahong, for a cash consideration of Renminbi ("RMB") 550,700,000 (equivalent to HK$643,928,000) and to acquire 22.21% equity interest in Huahong from Huahong's other shareholders which are not controlled by China Electronics Corporation Limited ("CEC") for a total cash consideration of RMB166,600,000 (equivalent to HK$194,803,000) (the "Acquisition"). Huahong is primarily engaged in the design and sale of integrated circuit chips in the People's Republic of China (the "PRC"). Completion of the Acquisition took place on 5 February 2016 and Huahong has become a 95.64% owned subsidiary of the Company since then.

On 14 December 2015, the Company entered into agreements (i) to dispose of 100% equity interest in China Electronics Technology Development Co., Ltd ("CEC Technology") to Optics Valley Union Holding Company Limited ("OVU") for RMB699,854,600, which shall be satisfied by the allotment and issuance of 1,058,530,083 new ordinary shares of OVU at a price of HK$0.8 per share and (ii) to subscribe in cash of 1,491,469,917 new ordinary shares of OVU at a price of HK$0.8 per share at a consideration of HK$1,193,175,934, for the acquisition of 31.88% interest in OVU (the "Transaction"). OVU, an independent third party prior to the Transaction, has its shares listed on The Stock Exchange of Hong Kong Limited and is a leading multi-theme business parks developer engaging in the development and operation of large-scale business parks with distinctive industry themes in the PRC. Completion of the Transaction took place on 30 June 2016 and OVU has become an associate of the Company since then.

Following completion of the Acquisition and the Transaction, the principal activities of the Group are the design and sale of integrated circuit chips.

2 Basis of preparation

(a) Compliance with HKFRS and Listing Rules

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 (the "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 2015, 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.

As both the Company and Huahong are under common control of CEC, these condensed consolidated interim financial information 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. These condensed consolidated interim financial information include the results and financial position of Huahong as if the Acquisition had occurred at previous balance sheet dates presented. Comparative figures for the six months ended 30 June 2015 and at 31 December 2015 have been restated on such basis.

As at 31 December 2015 the directors were of the view that it was highly probable that the completion of the disposal of CEC Technology would take place in 2016, the financial position and financial performance of CEC Technology and its subsidiaries ("CEC Technology Group") was presented in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". The operation of CEC Technology Group for the six months ended 30 June 2016 was presented as discontinued operation in the condensed consolidated interim financial information. The consolidated income statement and consolidated statement of comprehensive income for the six months ended 30 June 2015 and the related disclosure notes have been re-presented to separate the disclosures relating to the discontinued operation from that of the continuing operations.

The effects arising from the common control combination of Huahong and presentation of the disposal of CEC Technology Group in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" on the consolidated income statement for the six months ended 30 June 2015, and the consolidated balance sheet at 31 December 2015 are summarised as follows:

	Amount previously reported	Merger of Huahong	Disposal of CEC Technology Group	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(1)		
(i) The unaudited consolidated income statement for the six months ended 30 June 2015:				
Continuing operations:				
Revenue	639,558	255,394	(4,632)	890,320
Profit/(loss) for the period from continuing operations	148,052	(20,853)	(27,549)	99,650
Discontinued operation:				
Profit for the period from discontinued operation *(Note 10)*	–	–	27,549	27,549
Profit/(loss) for the period	148,052	(20,853)	–	127,199

	Amount previously reported	Merger of Huahong	Restated
	HK$'000	*HK$'000*	*HK$'000*
		(1)	
(ii) The audited consolidated balance sheet at 31 December 2015:			
Non-current assets	523,634	57,142	580,776
Current assets	5,655,523	484,958	6,140,481
Total assets	6,179,157	542,100	6,721,257
Current liabilities	1,640,113	266,004	1,906,117
Total liabilities	4,904,278	266,004	5,170,282
Total equity	1,274,879	276,096	1,550,975

(1) The financial information of Huahong for the six months ended 30 June 2015 and at 31 December 2015 are included using the principles of merger accounting as prescribed in HKAG 5 as stated above.

(b) Going concern

As at 30 June 2016, the Group's current liabilities exceeded its current assets by HK$1,388,668,000 primarily due to the fact that, the Company has liabilities under unsecured bonds in the principal amount of RMB2,750,000,000 (the "Bonds") due for repayment on 16 January 2017, which is within twelve months from the balance sheet date of these condensed consolidated interim financial information. In determining whether the Company will continue as a going concern for the next twelve months from the balance sheet date of these condensed consolidated interim financial information, 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 balance sheet date of these condensed consolidated interim financial information. Accordingly, the directors have prepared the condensed consolidated interim financial information on a going concern basis.

3 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 2015.

(i) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on 1 January 2016 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 2016 and have not been early adopted:

HKFRS 9	Financial instruments (effective from 1 January 2018)
HKFRS 15	Revenue from contracts with customers (effective from 1 January 2018)
HKFRS 16	Leases (effective from 1 January 2019)
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture (effective date not yet determined)

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.

4 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.

As disclosed in Note 10, the development and management of electronic information technology industrial parks operating segment was classified as discontinued operation of the Group and was disposed of on 30 June 2016.

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 income and expenses. The segment revenue and results are as follows:

For the six months ended 30 June 2016 (Unaudited)

	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	**652,108**	**–**	**652,108**
Rental income from investment properties	**–**	**19,008**	**19,008**
	652,108	**19,008**	**671,116**
Share of result of a joint venture	**342**	**–**	**342**
Fair value gains on investment properties	**–**	**45,395**	**45,395**
(Impairment provision)/reversal of impairment provision	**(7,774)**	**312**	**(7,462)**
Depreciation and amortisation expenses	**(30,231)**	**–**	**(30,231)**
Gain on disposal of the discontinued operation	**–**	**620,794**	**620,794**
Segment results	**63,547**	**655,784**	**719,331**
Share of result of an associate			**409,448**
Unallocated corporate interest income			**25,806**
Unallocated corporate expenses			**(16,389)**
Finance costs – net			**(74,818)**
Profit before taxation			**1,063,378**

For the six months ended 30 June 2015 (Unaudited)

	Continuing operations – Design and sale of integrated circuit chips *HK$'000* (Restated)	Discontinued operation – Development and management of electronic information technology industrial parks *HK$'000*	Total *HK$'000* (Restated)
Segment revenue			
Sale of integrated circuit products	890,320	–	890,320
Rental income from investment properties	–	4,632	4,632
	890,320	4,632	894,952
Share of result of an associate	–	12,715	12,715
Share of result of a joint venture	3	(333)	(330)
Fair value gains on investment properties	–	1,938	1,938
Impairment provision	(1,351)	–	(1,351)
Depreciation and amortisation expenses	(29,183)	(4,251)	(33,434)
Segment results	178,083	5,318	183,401
Unallocated corporate interest income			74,480
Unallocated corporate expenses			(11,565)
Finance costs – net			(89,168)
Profit before taxation			157,148

Unallocated corporate 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$154,331,000 (2015: HK$143,353,000), HK$81,170,000 (2015: HK$98,084,000) and HK$64,869,000 (2015: HK$97,394,000) respectively, are derived from 3 external customers of the Group. These revenues are attributable to the operating segment of design and sale of integrated circuit chips. Save as disclosed herein, no revenue 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.

5 Other income and gains – net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Government grants	**30,206**	62,808
Exchange (losses)/gains	**(54)**	2,611
Interest income on short-term deposits and investments	**1,410**	40,282
Interest income on available-for-sale financial assets	**860**	3,474
Others	**(1,205)**	(347)
	31,217	108,828
Discontinued operation		
Government grants	**2,371**	5,931
Fair value gains on investment properties	**45,395**	1,938
Interest income on entrusted loans	**23,249**	28,910
Interest income on available-for-sale financial assets	**287**	1,814
Others	**(29)**	2,028
	71,273	40,621

6 Finance costs – net

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Finance costs:		
– Interest expense on borrowings	**91,497**	87,791
Finance income:		
– Interest income on cash and cash equivalents	**(18,386)**	(10,353)
Finance costs – net	**73,111**	77,438
Discontinued operation		
Finance costs:		
– Interest expense on borrowings	**3,703**	16,746
Less: Amounts capitalised on properties under development *(Note (a))*	**(1,496)**	(2,735)
	2,207	14,011
Finance income:		
– Interest income on cash and cash equivalents	**(500)**	(2,281)
Finance costs – net	**1,707**	11,730

(a) The capitalisation rate applied to funds borrowed generally and used for the qualifying assets was 5.25% for the six months ended 30 June 2016 (2015: 4.58%).

7 Share of result of an associate

Share of result of an associate for the six months ended 30 June 2016 includes the negative goodwill of HK$409,448,000 arising from the acquisition of 31.88% interest in OVU, which represents the difference between the fair value of the consideration for the acquisition of 31.88% interest in OVU and the Group's share of the fair value of the identifiable net assets of OVU and its subsidiaries at 30 June 2016.

8 Profit before taxation

The Group's profit before taxation has been arrived at after charging/(crediting) the following:

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Depreciation of property, plant and equipment	**14,701**	13,528
Amortisation of intangible assets	**15,530**	15,655
Provision/(reversal of provision) for inventories	**4,671**	(159)
Impairment provision for trade receivables	**3,103**	1,510
Operating lease expenses on properties	**8,621**	14,503
Discontinued operation		
Depreciation of property, plant and equipment	**–**	1,818
Amortisation of intangible assets	**–**	2,433
Reversal of impairment provision for trade receivables	**(312)**	–
Operating lease expenses on properties	**175**	–

Research and development costs for the six months ended 30 June 2016 were HK$131,656,000 (2015: HK$170,689,000) and mainly comprised of employee costs of HK$82,570,000 (2015: HK$69,959,000) and material costs of HK$13,360,000 (2015: HK$53,156,000). No research and development costs were capitalised during the six months ended 30 June 2016 (2015: nil).

9 Taxation

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current taxation		
– PRC corporate income tax	**(8,136)**	14,507
– Withholding tax on distributed profits *(Note (c))*	**961**	–
	(7,175)	14,507
Deferred taxation		
– PRC corporate income tax	**7,595**	6,269
– Withholding tax on undistributed profits *(Note (c))*	**1,869**	5,480
	9,464	11,749
	2,289	26,256
Discontinued operation		
Current taxation		
– PRC corporate income tax	**201**	–
– Withholding tax on disposal of the discontinued operation	**14,385**	–
	14,586	–
Deferred taxation		
– PRC corporate income tax	**15,246**	3,693
	29,832	3,693

(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 2016 (2015: 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" in 2016 and thus enjoyed a 10% preferential tax rate for the period from 1 January 2016 to 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%.

10 Discontinued operation

On 30 June 2016, the Group disposed of 100% equity interest in CEC Technology to OVU for a consideration of 1,058,530,083 new ordinary shares of OVU and subscribed in cash of HK$1,193,175,934 for 1,491,469,917 new ordinary shares of OVU.

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

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period from discontinued operation		
Revenue	**19,008**	4,632
Cost of sales	**(10,697)**	(2,403)
Gross profit	**8,311**	2,229
Other income and gains – net	**71,273**	40,621
Selling and marketing costs	**(1,855)**	(2,144)
Administrative expenses	**(19,203)**	(10,116)
Operating profit	**58,526**	30,590
Finance income	**500**	2,281
Finance costs	**(2,207)**	(14,011)
Finance costs – net	**(1,707)**	(11,730)
Share of result of an associate	**–**	12,715
Share of result of a joint venture	**–**	(333)
Gain on disposal of the discontinued operation	**620,794**	–
Profit before taxation	**677,613**	31,242
Taxation	**(29,832)**	(3,693)
Profit for the period from discontinued operation	**647,781**	27,549

(b) Details of the gain and net cash outflow on disposal of the discontinued operation are as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	30,727
Investment properties	646,173
Intangible assets	754
Investment in an associate	92,886
Investment in a joint venture	17,262
Deferred tax assets	30,290
Inventories	327,512
Trade and other receivables	884,012
Available-for-sale financial assets	59,049
Cash and cash equivalents	95,054
Deferred tax liabilities	(43,678)
Advances from customers	(25,511)
Trade and other payables	(91,448)
Bank and other borrowings	(1,573,069)
Income tax payable	(64,671)
Non-controlling interests	(111,839)
	273,503
Release of translation reserve to profit or loss upon disposal	80,027
	353,530
Fair value of the consideration:	
Fair value of the consideration for the disposal of the discontinued operation and the subscription of 1,491,469,917 new ordinary shares of OVU *(Note (i))*	2,167,500
Less: Consideration for the subscription of 1,491,469,917 new ordinary shares of OVU	(1,193,176)
	974,324
Gain on disposal of the discontinued operation	620,794
Net cash outflow from disposal:	
Cash and cash equivalents disposed of	95,054

(i) Given the disposal of CEC Technology and the subscription of 1,491,469,917 new ordinary shares of OVU are inter-conditional on each other, both transactions were considered together when calculating the gain on disposal of CEC Technology to reflect the accounting impact and effect of the transactions as a whole. Based on a fair value of HK$0.85 per ordinary share of OVU and a total of 2,550,000,000 ordinary shares of OVU acquired, the fair value of the consideration for the disposal of CEC Technology and the subscription of 1,491,469,917 new ordinary shares of OVU is HK$2,167,500,000.

11 Dividend

The Board does not recommend the payment of dividend for the six months ended 30 June 2016 (2015: nil).

A dividend in respect of the year ended 31 December 2015 of HK3.0 cents per share (2014: HK2.6 cents), amounting to a total dividend of HK$60,896,000, was proposed by the Board in March 2016. The dividend proposed was subsequently approved by the shareholders in June 2016 and the dividend was paid in July 2016.

12 Earnings per share

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

	Unaudited Six months ended 30 June	
	2016	2015 (Restated)
Continuing operations		
Profit for the period from continuing operations attributable to owners of the Company *(HK$'000)*	**382,830**	105,191
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	2,029,872,000
Basic earnings per share *(HK cents)*	**18.86**	5.18
Discontinued operation		
Profit for the period from discontinued operation attributable to owners of the Company *(HK$'000)*	**648,717**	28,589
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	2,029,872,000
Basic earnings per share *(HK cents)*	**31.96**	1.41

	Unaudited Six months ended 30 June 2016	2015 (Restated)
Continuing and discontinued operations		
Profit for the period attributable to owners of the Company *(HK$'000)*	**1,031,547**	133,780
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	2,029,872,000
Basic earnings per share *(HK cents)*	**50.82**	6.59

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

13 Trade and other receivables

(a) Trade 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. Included in trade and other receivables are trade receivables (net of provision for impairment) of HK$948,051,000 (31 December 2015: HK$1,049,869,000) and their ageing analysis is as follows:

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000* (Restated)
Current to 30 days	**203,646**	230,149
31-60 days	**122,836**	202,241
Over 60 days and within 1 year	**577,011**	566,806
Over 1 year	**44,558**	50,673
	948,051	1,049,869

(b) *Other receivables*

Included in trade and other receivables are loans in the aggregate principal amount of RMB1,195.3 million (equivalent to HK$1,397.7 million) (31 December 2015: nil) to subsidiaries of OVU, an associate of the Group. These loans bear interest at 7% per annum, are secured by charge over 375,118 shares of AAA Finance & Investment Limited, a wholly-owned subsidiary of OVU, and are repayable by 31 December 2016.

14 Trade and other payables

Included in trade and other payables are trade payables of HK$291,627,000 (31 December 2015: HK$285,319,000) and their ageing analysis is as follows:

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000* (Restated)
Current to 30 days	**122,502**	165,529
31-60 days	**78,280**	61,971
Over 60 days	**90,845**	57,819
	291,627	285,319

BUSINESS REVIEW

Results overview

Revenue of the Group for the six months ended 30 June 2016 amounted to HK$652.1 million, representing a decrease of 26.8% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$1,031.5 million, representing an increase of 671.1% when comparing with the corresponding period of last year, which is primarily attributable to (i) an one-off gain of HK$620.8 million arising from the disposal of CEC Technology and the subscription of new shares in OVU and (ii) the negative goodwill of HK$409.4 million arising from the recognition of interest in OVU as an associate of the Group. The basic earnings per share was HK50.82 cents (2015: HK6.59 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, social security, telecommunication, financial security and transportation. For the six months ended 30 June 2016, the Group has obtained 23 new patents and one registered computer software copyright. At the same time, the Group's financial security and telecommunication products was accredited successively with security qualification certifications such as domestic EAL4+ Certificate and by association such as domestic UnionPay, and financial security products that are being applied in the high-security segments was also accredited with international security qualification certifications such as CCEAL4+ Certificate and EMVCo Certificate, which will enable the Group's products to withstand against the fierce competitive international markets.

During the first half of 2016, as the Group was focusing on integrating with the smart cards business of Huahong, demand of certain market segments had decreased due to the slowdown in the industry macro-economic growth and the smart cards chip market competition further intensified as chip companies reduced their pricing to compete, which has resulted in the decline of both the sales volume and sales revenue of the Group in the first half of 2016 when comparing with the corresponding period of last year. The revenue for the six months ended 30 June 2016 was HK$652.1 million, representing a decrease of 26.8% when comparing with the corresponding period of last year.

Selling and marketing costs for the six months ended 30 June 2016 amounted to HK$52.4 million (2015: HK$37.9 million). As a percentage to revenue, selling and marketing costs increased to 8.0% from 4.3% of the corresponding period of last year. The increase was mainly due to the Group's active response to market changes in the first half of the year and the Group has stepped up its marketing efforts for new products in sectors such as financial security, strengthened the development and layout of international markets, as well as actively maintained its old and new customers relationship and facilitated the establishment of sales channels to seize bigger market shares in the traditional product sectors such as telecommunication and social security.

Administrative expenses for the six months ended 30 June 2016 amounted to HK$179.9 million, representing a decrease of 15.1% when comparing with the corresponding period of last year (2015: HK$211.9 million), which was primarily due to the decrease in research and development costs during the period. The decrease in research and development costs was due to cost saving resulting from centralised planning and arrangement for the research and development projects of the Group and Huahong following the integration of Huahong's research and development resources into those of the Group in the first half of 2016 and implementation of stringent cost control measures.

Research and development costs for the six months ended 30 June 2016 was HK$131.7 million (2015: HK$170.7 million), which represented 20.2% of the revenue for the six months ended 30 June 2016 (2015: 19.2%). Research and development during the period primarily focused on the development of financial security chip products, the development of telecommunication and mobile payment chip products, facilitation of new product process, enhancement of product security certification level and improvement of technical competence.

Government grants recognised as income decreased by 51.9% to HK$30.2 million for the six months ended 30 June 2016 resulted from less government subsidies for research and development costs incurred in the period.

For the six months ended 30 June 2016, profit attributable to the integrated circuits design operating segment amounted to HK$63.5 million, representing a decrease of 64.3% when comparing with the corresponding period of last year.

On 26 June and 27 August 2015, the Group entered into agreements to acquire 73.43% equity interest in Huahong from Huada Semiconductor Co., Ltd, for a cash consideration of RMB550,700,000 (equivalent to HK$643,928,000) and to acquire 22.21% equity interest in Huahong from Huahong's other shareholders for a total cash consideration of RMB166,600,000 (equivalent to HK$194,803,000). Completion of the Acquisition took place on 5 February 2016 and Huahong has become a 95.64% owned subsidiary of the Company since then.

Following the completion of the Acquisition in February 2016, the Group has been integrating Huahong's smart cards business with that of the Group. Not only has Huahong enriched the product line of the Group and optimised the business structure, but it has also improved the comprehensive competitiveness of the Group's products in sectors such as social security, financial security, telecommunication and transportation. The Group will continue to adjust and improve various internal processes such as marketing and management. It will also integrate resources to achieve synergistic advantages in supply chain and promote the realisation of the long-term strategic objective of the Group.

Currently, the application of smart cards in the PRC markets is mainly in the field of identity authentication, social security, telecommunication, financial security and transportation, etc. After many years of development, the Group has gained a relatively larger market share and has established a leading position in the abovementioned smart card sectors. Meanwhile, the global smart cards market has entered into a stable development stage, with telecommunication smart cards growth slowing down, domestic social security smart cards issuance coverage rate has already exceeded 60% and demand for new cards is decreasing, further intensification in the international financial security smart card market competition and advancement in the domestic-made domestic financial security chips market is progressing slowly. All these factors brought new challenges to both the sales volume and revenue of the Group's products. In facing these market changes both domestically and overseas, the Group on one hand will closely track the market demand, actively explore new customers from the domestic industries and enterprises, strengthen the establishment of sales channels, and at the same time step up its efforts in expanding international markets, emphasise on the new business layout that could drive our future revenue growth, and strive to provide diversified and high quality products that meet the demands of customers and markets.

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, continue to launch new products that lead the market, and actively expand into smart card application business such as financial security and mobile payment, as well as other chip design segments, and strive to maintain its leading position in the integrated circuits design sector. On the other hand, the Group will focus on the design of smart cards and security chips business and the provision of corresponding system solutions, and strive to become a world leading supplier of smart cards and security chips.

Electronic information technology industrial parks operation

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

1. Hainan Resort Software Community ("Hainan RSC"), which is wholly-owned, developed and managed by Hainan Resort Software Community Investment and Development Co., Ltd, an associate of the Group;

2. CEC Xi'an Industrial Park ("Xi'an Industrial Park"), which is wholly-owned, developed and managed by China Electronics Xi'an Industrial Park Development Co., Ltd, a subsidiary of the Group;

3. CEC Beihai Industrial Park ("Beihai Industrial Park"), which is wholly-owned, developed and managed by China Electronics Beihai Industrial Park Development Co., Ltd ("CEC Beihai"), a subsidiary of the Group; and

4. CEC Wenzhou Industrial City ("Wenzhou Industrial City"), which is wholly-owned, developed and managed by China Electronics Wenzhou Industrial Park Development Co., Ltd, 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 had 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, 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 30 June 2016, approximately 18,940 square metres have been sold in total, of which approximately 640 square metres were sold during the six months ended 30 June 2016.

II. Meilun Tertiary Time Tropical Style Commercial Street is located at Plot E and occupies a site area of approximately 90 Mu. It consists of 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 complex was completed at the end of 2015. The commercial street is held for rental purposes and leasing went well as at 30 June 2016.

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 was completed in December 2015. Phase 1 is held for sale and rental purposes. During the six months ended 30 June 2016, approximately 12,570 square metres were sold.

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 30 June 2016, all the 41 office buildings were substantial completed and are 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 30 June 2016, approximately 24,890 square metres have been sold in total, of which approximately 4,690 square metres were sold during the six months ended 30 June 2016.

With respect to business development, Hainan RSC has carried out an in-depth co-operation with Shenzhen Tencent Computer Systems Company Limited, 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 2016, there were approximately 960 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 circuits 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 second half of 2016. 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 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 device, 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, consensus had been reached for the construction of China Electronics Beibu Gulf Information Harbour, which will form an integral part of Beibu Gulf Eco-Wisdom Electronics City. 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 has been completed during the first half of 2016. As at 30 June 2016, preliminary preparation works for the project had commenced.

Wenzhou Industrial City

The project is located at Wenzhou Economic and Technological Development Zone and targets at enterprises engaging in industrial internet, software and information service, intelligent terminal manufacturing, information security and cross-border electronic commerce.

The project is established with its foothold in Wenzhou and radiates the Yangtze River Delta and the Pearl River Delta economic circles under the industrial-urban integration approach. It aims at upgrading the traditional industries in Wenzhou by inaugurating the superior resources of electronic information industry. The planned total site area of the project is approximately 3,000 Mu, which is intended to develop and construct into an industrial cluster zone comprising intelligent production plants, smartly-renovated plants, standard plants, research and development and testing centres, single block headquarters office buildings, creative office buildings, star-rated high-end hotels, boutique hotels, garden villas and commercial supporting facilities. The project will be developed and constructed in two phases, of which Phase 1 will occupy a site area of approximately 1,630 Mu with a total gross floor area of approximately 2 million square metres. As at 30 June 2016, acquisition of a piece of land with site area of 316 Mu has been completed and preliminary preparation works had commenced.

For the six months ended 30 June 2016, profit attributable to the electronic information technology industrial parks operating segment amounted to HK$655.8 million, representing a significant increase when comparing with a profit of HK$5.3 million in the corresponding period of last year, which is primarily attributable to an one-off gain of HK$620.8 million arising from the disposal of CEC Technology and the subscription of new shares in OVU.

On 14 December 2015, the Company entered into agreements (i) to dispose of 100% equity interest in CEC Technology to OVU for RMB699,854,600, which shall be satisfied by the allotment and issuance of 1,058,530,083 new ordinary shares of OVU at a price of HK$0.8 per share and (ii) to subscribe in cash of 1,491,469,917 new ordinary shares of OVU at a price of HK$0.8 per share at a consideration of HK$1,193,175,934, for the acquisition of 31.88% interest in OVU. Completion of the Transaction took place on 30 June 2016, and the electronic information technology industrial parks operating segment was disposed of on 30 June 2016 and OVU has become an associate of the Company since then.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2016 (2015: nil).

FINANCIAL REVIEW

The Group generally finances its working capital and funding requirements through internal resources, bank and other borrowings, and issuance of corporate bonds. At 30 June 2016, the Group had cash and cash equivalents amounted to HK$199.6 million, 96.4% of which was denominated in Renminbi, 1.3% in United States dollars and 2.3% in Hong Kong dollars (31 December 2015: HK$777.1 million, 98.8% of which was denominated in Renminbi, 0.7% in United States dollars and 0.5% in Hong Kong dollars).

At 30 June 2016, the Group had bank and other borrowings of HK$378.7 million, all of which were denominated in Renminbi (31 December 2015: HK$919.5 million, all of which were denominated in Renminbi). Among these borrowings, (i) all were unsecured (31 December 2015: HK$901.6 million were secured by short-term deposits of the Group and HK$17.9 million were unsecured), and (ii) all were borrowed at fixed interest rates (31 December 2015: all were borrowed at fixed interest rates). At 30 June 2016, committed borrowing facilities available to the Group but not drawn amounted to HK$888.7 million.

On 16 January 2014, the Company issued 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750 million. 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 and indirectly own and hold more than 50% of the outstanding shares of the Company, and in the event that the Company is unable to fulfil its payment obligations under the terms and conditions of the Bonds, provide sufficient fund to the Group to enable the Group to meet its payment obligations. As the Bonds will be mature on 16 January 2017, the Board has been considering the possible repayment options, including exploring the feasibility of refinancing. The Board noted that based on feedback from the debt capital and financing market participants thus far, the debt capital market is currently weak. Meanwhile, feedback on raising equity capital has been equally uncertain. The Board will continue to explore fund raising opportunities, including possible asset disposal, and is confident in finding a solution which will be in the best interest of the Company and its shareholders as a whole.

At 30 June 2016, the Group did not have any pledged asset (31 December 2015: certain assets of the Group with an aggregate carrying value of HK$929.5 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 2016, the Group had net current liabilities of HK$1,388.7 million (31 December 2015: net current assets of HK$4,234.4 million). The overall gearing ratio, which is calculated as the total liabilities over the total assets of the Group, was 72.8% (31 December 2015: 76.9%).

At 30 June 2016, the Group did not have any material capital commitment (31 December 2015: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 30 June 2016 (31 December 2015: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2016, the Group had approximately 550 employees, the majority of whom were based in the PRC. Employee benefit expenses during the period were HK$134.8 million.

The Group recognises the importance of high calibre and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration policies are largely in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. Bonuses and other merit payments are linked with the performance of the Group and of the individuals as incentive to optimise performance.

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 2016.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving the best corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company is dedicated to exercise corporate governance through regular reviews of its adopted practices with reference to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company has complied with all the applicable code provisions in the CG Code throughout the six months ended 30 June 2016. The Company has in practice complied with the new requirements under the amendments of the CG Code relating to risk management and internal control since 1 January 2016. The Board has adopted new terms of reference for the audit committee of the Board on 29 December 2015 to comply with the new requirements under the amendments of the CG Code.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016.

PUBLICATION OF INTERIM REPORT

The 2016 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
Dong Haoran
Chairman

Hong Kong, 18 August 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 (Deputy 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.