CHINA ELECTRONICS HUADA TECHNOLOGY COMPANY LIMITED
中國電子華大科技有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

2017 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Electronics Huada Technology 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 2017 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*3*	**688,074**	652,108
Cost of sales		**(432,375)**	(385,552)
Gross profit		**255,699**	266,556
Other income and gains – net	*4*	**117,458**	31,217
Selling and marketing costs		**(43,795)**	(52,415)
Administrative expenses		**(150,334)**	(196,272)
Operating profit		**179,028**	49,086
Finance income	*5*	**5,601**	18,386
Finance costs	*5*	**(48,925)**	(91,497)
Finance costs – net	*5*	**(43,324)**	(73,111)
Share of result of an associate		**29,142**	409,448
Share of result of a joint venture		**(1,451)**	342
Profit before taxation	*6*	**163,395**	385,765
Taxation	*7*	**(19,633)**	(2,289)
Profit for the period from continuing operations		**143,762**	383,476
Discontinued operation			
Profit for the period from discontinued operation	*8*	**–**	647,781
Profit for the period		**143,762**	1,031,257

CONSOLIDATED INCOME STATEMENT *(Continued)*

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Profit/(loss) for the period attributable to:			
Owners of the Company		**142,957**	1,031,547
Non-controlling interests		**805**	(290)
		143,762	1,031,257
Profit for the period attributable to owners of the Company arises from:			
Continuing operations		**142,957**	382,830
Discontinued operation		**–**	648,717
		142,957	1,031,547
		HK cents	*HK cents*
Basic earnings per share	*10*		
Continuing operations		**7.04**	18.86
Discontinued operation		**–**	31.96
		7.04	50.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**143,762**	1,031,257
Other comprehensive income for the period:		
Items that will not be subsequently reclassified to profit or loss:		
Share of an associate's revaluation gains on properties	**1,147**	–
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**30,819**	(30,054)
Total comprehensive income for the period	**175,728**	1,001,203
Total comprehensive income for the period attributable to:		
Owners of the Company	**174,517**	1,001,749
Non-controlling interests	**1,211**	(546)
	175,728	1,001,203
Total comprehensive income for the period attributable to owners of the Company arises from:		
Continuing operations	**174,517**	361,041
Discontinued operation	**–**	640,708
	174,517	1,001,749

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2017 (Unaudited)** *HK$'000*	31 December 2016 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**443,029**	429,681
Land use rights		**11,723**	11,944
Intangible assets		**11,032**	5,958
Investment in an associate		**2,490,840**	2,449,780
Investment in a joint venture		**5,127**	6,406
Deferred tax assets		**15,465**	16,965
Available-for-sale financial assets		**7,489**	7,267
		2,984,705	2,928,001
Current assets			
Inventories		**348,853**	257,010
Trade and other receivables	*11*	**881,130**	964,736
Available-for-sale financial assets		**93,757**	37,249
Short-term deposits and investments		**36,024**	127,601
Cash in transit		**–**	866,754
Cash and cash equivalents		**456,739**	911,917
		1,816,503	3,165,267
Total assets		**4,801,208**	6,093,268

CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**30 June 2017 (Unaudited)** *HK$'000*	31 December 2016 (Audited) *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium		**825,454**	825,454
Reserves		**(736,838)**	(768,398)
Retained earnings		**1,692,781**	1,610,720
		1,781,397	1,667,776
Non-controlling interests		**14,084**	12,873
Total equity		**1,795,481**	1,680,649
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**9,633**	7,812
Current liabilities			
Deferred government grants		**27,282**	34,532
Advances from customers		**2,205**	3,132
Trade and other payables	*12*	**629,740**	792,072
Unsecured corporate bonds		**–**	3,069,502
Bank and other borrowings		**2,310,096**	477,621
Income tax payable		**26,771**	27,948
		2,996,094	4,404,807
Total liabilities		**3,005,727**	4,412,619
Total equity and liabilities		**4,801,208**	6,093,268

Notes:

1 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 2016, 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 certain available-for-sale financial assets which are carried at fair value.

(b) Going concern

As at 30 June 2017, the Group's current liabilities exceeded its current assets by HK$1,179,591,000 primarily due to the fact that the Company has liabilities under unsecured short-term bank and other borrowings of HK$2,310.1 million (the "Short-term Borrowings"). The Short-term Borrowings of HK$2,164.0 million are guaranteed by China Electronics Corporation Limited ("CEC") and are due for repayment in January 2018.

The Board has reviewed the Group's cash flow projections which covers a period of not less than twelve months from 30 June 2017. Given that the Short-term Borrowings of HK$2,164.0 million are guaranteed by CEC, and taking into account the financial resources available to the Group, including the internally generated funds, expected renewal and extension of borrowings upon their maturity and the available committed borrowing facilities, the Board considers that there are sufficient financial resources available to the Group to meet its financial liabilities as and when they fall due in the coming twelve months from 30 June 2017. Accordingly, the Board has prepared the condensed consolidated interim financial information on a going concern basis.

2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2016.

(i) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on 1 January 2017 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 2017 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.

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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Sale of integrated circuit products	**688,074**	652,108
Discontinued operation		
Rental income from investment properties	**–**	19,008
	688,074	671,116

(b) Operating segments

Management has determined the operating segments based on the reports reviewed by the directors (the chief operating decision maker) that are used to assess performance and allocate resources. The directors assess the performance of operating segment based on a measure of its operating profit excluding unallocated corporate income and expenses.

In prior years, the Group was 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 8, the development and management of electronic information technology industrial parks operating segment was disposed of on 30 June 2016 and was classified as discontinued operation of the Group accordingly.

The directors consider that the Group's continuing operations are operated and managed as a single segment, accordingly no segment information is presented for the continuing operations for the six months ended 30 June 2017.

The unaudited segment revenue and results for the six months ended 30 June 2016 are as follows:

	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

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 measurement of the segments' performance.

Revenues of HK$180,041,000 and HK$100,417,000 (2016: HK$154,331,000, HK$81,170,000 and HK$64,869,000) respectively, are derived from 2 (2016: 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 revenue 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.

4 OTHER INCOME AND GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Government grants	**11,926**	30,206
Gain on disposal of a business *(Note (a))*	**102,510**	–
Exchange losses	**(317)**	(54)
Interest income on short-term deposits and investments	**335**	1,410
Interest income on available-for-sale financial assets	**1,230**	860
Others	**1,774**	(1,205)
	117,458	31,217
Discontinued operation		
Government grants	**–**	2,371
Fair value gains on investment properties	**–**	45,395
Interest income on entrusted loans	**–**	23,249
Interest income on available-for-sale financial assets	**–**	287
Others	**–**	(29)
	–	71,273

(a) On 3 March 2017, CEC Huada Electronic Design Co., Ltd ("Huada Electronics") entered into an agreement to dispose of its navigation chips business for a cash consideration of Renminbi ("RMB") 100,000,000 (the "Business Transfer") to Shenzhen Huada Beidou Technology Company Limited. The Business Transfer was completed in May 2017. The Group recognised a gain before taxation of HK$102,510,000.

5 FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Finance costs:		
– Interest expense on borrowings	**48,925**	91,497
Finance income:		
– Interest income on cash and cash equivalents	**(5,601)**	(18,386)
Finance costs – net	**43,324**	73,111
Discontinued operation		
Finance costs:		
– Interest expense on borrowings	**–**	3,703
Less: Amounts capitalised on properties under development *(Note (a))*	**–**	(1,496)
	–	2,207
Finance income:		
– Interest income on cash and cash equivalents	**–**	(500)
Finance costs – net	**–**	1,707

(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.

6 PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Depreciation of property, plant and equipment	**12,761**	14,701
Amortisation of intangible assets	**10,203**	15,530
Provision for inventories	**6,602**	4,671
(Reversal of impairment)/impairment provision for trade receivables	**(3,524)**	3,103
Operating lease expenses on properties	**7,017**	8,621
Discontinued operation		
Reversal of impairment provision for trade receivables	**–**	(312)
Operating lease expenses on properties	**–**	175

Research and development costs for the continuing operations for the six months ended 30 June 2017 were HK$101,886,000 (2016: HK$131,656,000), and mainly comprised of employee costs of HK$54,504,000 (2016: HK$82,570,000) and material costs of HK$10,750,000 (2016: HK$13,360,000). No research and development costs were capitalised during the six months ended 30 June 2017 (2016: nil).

7 TAXATION

	Unaudited Six months ended 30 June **2017** *HK$'000*	2016 *HK$'000*
Continuing operations		
Current taxation		
– PRC corporate income tax	**15,605**	(8,136)
– Withholding tax on distributed profits *(Note (c))*	**219**	961
	15,824	(7,175)
Deferred taxation		
– PRC corporate income tax	**1,988**	7,595
– Withholding tax on undistributed profits *(Note (c))*	**1,821**	1,869
	3,809	9,464
	19,633	2,289
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
	–	29,832

(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 2017 (2016: nil).

(b) In accordance with the corporate income tax laws of the PRC, the applicable statutory tax rate of Huada Electronics and Shanghai Huahong Integrated Circuit Co., Ltd ("Huahong") is 25%. However, Huada Electronics qualifies as an "Integrated Circuit Design Enterprises in National Planning Layout" and Huahong qualifies as a "High and New Technology Enterprise" and thus enjoys a 10% and a 15% preferential tax rate, respectively.

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

8 DISCONTINUED OPERATION

On 30 June 2016, the Group disposed of its 100% equity interest in China Electronics Technology Development Co., Ltd ("CEC Technology") to China Electronics Optics Valley Union Holding Company Limited ("CEOVU") for a consideration of 1,058,530,083 new ordinary shares of CEOVU and subscribed 1,491,469,917 new ordinary shares of CEOVU for HK$1,193,175,934 in cash.

For the six months ended 30 June 2016, the profit of the discontinued operation was HK$647,781,000.

9 DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2017 (2016: nil).

10 EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2017	2016
Continuing operations		
Profit for the period from continuing operations attributable to owners of the Company (HK$'000)	**142,957**	382,830
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,029,872,000**	2,029,872,000
Basic earnings per share (HK cents)	**7.04**	18.86
Discontinued operation		
Profit for the period from discontinued operation attributable to owners of the Company (HK$'000)	**–**	648,717
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
Continuing and discontinued operations		
Profit for the period attributable to owners of the Company (HK$'000)	**142,957**	1,031,547
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)	**7.04**	50.82

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

11 TRADE AND OTHER RECEIVABLES

For the design and sale of integrated circuit chips operation, the majority of the Group's sales are with credit terms of 30 days to 135 days. The remaining amounts are due immediately after the delivery of goods. Included in trade and other receivables are trade receivables (net of provision for impairment) of HK$841,729,000 (31 December 2016: HK$895,515,000) and their ageing analysis is as follows:

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Current to 30 days	**239,053**	161,025
31-60 days	**204,199**	155,766
61-180 days	**271,675**	387,025
Over 180 days and within 1 year	**59,579**	68,299
Over 1 year	**67,223**	123,400
	841,729	895,515

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$404,183,000 (31 December 2016: HK$335,416,000) and their ageing analysis is as follows:

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Current to 30 days	**161,961**	201,178
31-60 days	**105,291**	67,798
Over 60 days	**136,931**	66,440
	404,183	335,416

BUSINESS REVIEW

Results overview

During the period, the Group's continuing operations comprised the design and sale of integrated circuit chips. The Group discontinued its development and management of electronic information technology industrial parks operation in June 2016. The analysis below reports only on the continuing operations of the Group.

Revenue of the Group for the six months ended 30 June 2017 amounted to HK$688.1 million, representing an increase of 5.5% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$143.0 million, representing a decrease of 86.1% when comparing with the corresponding period of last year. The decrease in profit was primarily attributable to (i) for the six months ended 30 June 2016, the Group had recognised an one-off gain of HK$620.8 million arising from the disposal of CEC Technology and the subscription of new shares in CEOVU; and (ii) for the six months ended 30 June 2016, the Group had recognised an one-off accounting gain representing negative goodwill of HK$409.4 million arising from the acquisition of 31.88% interest in CEOVU. The basic earnings per share was HK7.04 cents (2016: HK50.82 cents).

Integrated circuits design operation

The Group's integrated circuits design operation comprises the design of security smart card 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 2017, the Group has obtained 46 new patents and registered 2 new integrated circuits layout designs.

Driven by the demand for domestic financial security chips resulting from the policy for the issuance of state cryptographic algorithm powered bank cards, and coupled with the Group's increased effort in exploring the overseas telecommunication smart cards market's needs and strengthening cooperation with its customers, both the sales volume and revenue of the Group for the first half of 2017 recorded increases when comparing with the corresponding period of last year, and have compensated the impacts of the decrease in the sales volume of social security smart card chips resulting from drop in the demand for issuance of new cards, and the year-on-year decline of smart card chip selling prices in general as a result of the intensified competition in the smart card chips market. Revenue of the Group for the six months ended 30 June 2017 was HK$688.1 million, representing an increase of 5.5% when comparing with the corresponding period of last year.

With the intensified competition in the market of telecommunication smart card chips and financial security smart card chips, selling price of these products dropped in general as compared with those in 2016. In addition, the cost of production of smart card chips remains to be high due to the rising cost of raw materials and the constraint of the foundry manufacturers' production capacities. All these factors have led to a decrease in the Group's overall gross profit margin in the first half of 2017 to 37.2% (2016: 40.9%).

Selling and marketing costs for the six months ended 30 June 2017 amounted to HK$43.8 million (2016: HK$52.4 million). As a percentage to revenue, selling and marketing costs decreased to 6.4% from 8.0% of the corresponding period of last year. The decrease was mainly due to the implementation of the reorganisation of its staff structure as part of the Group's business integration and implementation of stringent cost control measures.

Administrative expenses for the six months ended 30 June 2017 amounted to HK$150.3 million, representing a decrease of 23.4% when comparing with the corresponding period of last year, which was primarily due to the decrease in research and development costs during the period. The decrease in research and development costs was because a number of product research and development projects were still in the initial product design stage during the first half of 2017, the implementation of the reorganisation of its staff structure as part of the Group's business integration and implementation of stringent cost control measures.

Research and development costs for the six months ended 30 June 2017 was HK$101.9 million (2016: HK$131.7 million), which represented 14.8% of the revenue for the six months ended 30 June 2017 (2016: 20.2%). Research and development during the period primarily focused on areas such as the continuous running-in of existing process and advanced research of new process, enhancement of product security certification level and the development of application systems.

Other income and gains – net

For the six months ended 30 June 2017, the Group disposed of its navigation chips business and recognised a gain before taxation of HK$102.5 million. Details of the disposal is set out in Note 4(a) of this announcement.

Government grants recognised as income decreased by 60.5% to HK$11.9 million for the six months ended 30 June 2017 resulted from less government subsidies for research and development costs incurred in the period.

Share of result of an associate

CEOVU, our associate listed on The Stock Exchange of Hong Kong Limited, is principally engaged in the business of development and operation of large-scale business parks in the PRC. The Group's share of result from CEOVU for the six months ended 30 June 2017 was HK$29.1 million, representing a decrease of 92.9% when comparing with the corresponding period of last year, which was primarily due to the Group had recognised an one-off accounting gain representing negative goodwill of HK$409.4 million arising from the acquisition of 31.88% interest in CEOVU for the six months ended 30 June 2016.

OUTLOOK

The domestic and overseas integrated circuits industry is highly competitive. Currently, the application of smart card chips of the Group is mainly in the field of such as 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 these smart card chip sectors in the PRC. Looking forward, in face of the challenge of intensified competition, the Group will closely track and respond to the demand of the market, actively explore new industry and corporate customers in the domestic market and strengthen the establishment of sales channels. On the other hand, the Group will capitalise on the trading relationship established with countries along the route of the "Belt and Road Initiative", and step up its efforts in developing the overseas market through actively launching promotion of the Group's security smart card chips to these countries, and emphasise on the new business layout that could drive our future revenue growth.

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 chip design business such as financial security and telecommunication, and strive to become a world leading supplier of security smart card chips and corresponding system solutions. In addition, based on its independently developed security technology, smart card chips design technology and application technology accumulated over the years and a market orientated approach, the Group will strengthen its research in areas such as Internet of Things technology, security technology, smart card chips technology, and production process technology, and step by step carry out the development of products such as Internet of Things security chips and Internet of Things secure operation and maintenance platforms, as well as applications for industries such as smart cities, intelligent manufacturing, intelligent transportation and intelligent home, and continuously strive to enhance its core competitiveness in the industry and the market of Internet of Things.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2017 (2016: 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 2017, the Group had cash and cash equivalents amounted to HK$456.7 million, of which 80.5% was denominated in Renminbi, 17.8% in Hong Kong dollars and 1.7% in United States dollars (31 December 2016: HK$911.9 million, of which 93.0% was denominated in Renminbi, 6.4% in Hong Kong dollars and 0.6% in United States dollars).

At 30 June 2017, the Group had bank and other borrowings of HK$2,310.1 million, of which 95.7% were denominated in Renminbi and 4.3% in Hong Kong dollars (31 December 2016: HK$477.6 million, of which 74.8% were denominated in Renminbi and 25.2% in Hong Kong dollars). Among these borrowings, (i) all were unsecured (31 December 2016: HK$120.2 million were secured by short-term deposits of the Group and HK$357.4 million were unsecured), and (ii) HK$2,210.1 million and HK$100.0 million were borrowed at fixed and variable interest rates respectively (31 December 2016: HK$357.3 million and HK$120.3 million were borrowed at fixed and variable interest rates respectively). At 30 June 2017, committed borrowing facilities available to the Group but not drawn amounted to HK$1,035.9 million.

At 30 June 2017, the Group did not have any pledged asset (31 December 2016: certain assets of the Group with an aggregate carrying value of HK$126.5 million were pledged as collateral for borrowings of the Group).

In January 2017, the Company redeemed the 4.70% unsecured bonds due 2017 in the principal amount of RMB2,750.0 million in full.

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 2017, the Group had net current liabilities of HK$1,179.6 million (31 December 2016: HK$1,239.5 million). The gearing ratio, which is calculated as net debt divided by total capital of the Group, was 50.8% (31 December 2016: 61.1%).

At 30 June 2017, the Group did not have any material capital commitment (31 December 2016: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 30 June 2017 (31 December 2016: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2017, the Group had approximately 395 employees, the majority of whom were based in the PRC. Employee benefit expenses during the period were HK$109.3 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 2017.

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 2017.

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 2017.

PUBLICATION OF INTERIM REPORT

The 2017 interim report will be published on the website of the Company (www.cecht.com.cn) 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 Huada Technology Company Limited
Dong Haoran
Chairman

Hong Kong, 30 August 2017

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.