China Electronics Corporation Holdings Company Limited
中國電子集團控股有限公司

(Stock Code : 0085)

2007

Interim Report

CEC
中国电子
CHINA ELECTRONICS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors
Chen Zhaoxiong *(Chairman)*
Tong Baoan *(Vice Chairman)*

Executive Directors
Fan Qingwu *(Managing Director)*
Hua Longxing

Independent Non-executive Directors
Chan Kay Cheung
Wong Po Yan
Yin Yongli

AUDIT COMMITTEE

Chan Kay Cheung *(Chairman)*
Wong Po Yan
Yin Yongli

REMUNERATION COMMITTEE

Wong Po Yan *(Chairman)*
Chan Kay Cheung
Yin Yongli
Fan Qingwu

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Yam Pui Hung Robert

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Room 3503, 35th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (HK) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISORS

As to Hong Kong Law
Linklaters LLP

As to Bermuda Law
Conyers Dill & Pearman

INVESTOR RELATIONS

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STOCK CODE

0085

The board of directors (the "Board") of China Electronics Corporation Holdings Company Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007. The interim financial report is unaudited but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

BUSINESS REVIEW

The Group faced with a very tough operating environment during the first half of 2007. The fierce competition and the ever changing market secures the top tier brands with the leading position in the market, whereas smaller mobile handset manufacturers actively underwent merger and acquisitions and business reorganisation so as to maintain their competitive advantages and strengthen their market position. This global landscape makes it difficult for the industry players to counter against this trend. In late 2006, the Philips Group announced its intention to dispose of its mobile handset business. Since then, the Philips Group carried out a series of business restructuring to prepare for the business transfer. During this transitional period, the sales and marketing activities of *"Philips"* mobile handsets were downscaled, launch of new products were postponed and a substantial proportion of orders from the distributors were deferred due to the uncertainties towards the business development.

The Philips Group was one of the major OEM/ODM customers of the Group. The business reorganisation of the Philips Group and the interference so caused to its operation resulted in unfavourable impact on the performance of the Group during the first half of 2007. During the period under review, sales of *"Philips"* mobile handsets had reduced by 25% to 1.7 million units as a result of deferred orders from the distributors. Sales of own-branded and other OEM mobile handsets also reduced to 0.7 million units, primarily due to the realignment of the Group's business whereby additional resources were allocated to the *"Philips"* mobile handsets operation with an aim to minimise the impact from the Philips Group's business reorganisation and to keep the business on track. Sales of mobile handsets had in total dropped by 34% to 2.4 million units. On the other hand, the portable multimedia player business continued to perform well. During the period, the Group sold 1.2 million units of portable multimedia players, representing more than double the sales during the corresponding period last year. The overall sales of mobile handsets and portable multimedia players were 3.6 million units, representing a decrease of 13% over the same period last year. In addition that the mobile handsets being sold during the period were primarily old models or end of life products which further reduced the average selling price, the sales revenue for the six months ended 30 June 2007 were HK$1,313.4 million, representing 31% less than the corresponding period in 2006. Despite the reduction in sales revenue, the Group's global material souring channels and inventory control policies effectively minimised the overall impact. The encouraging growth in portable multimedia player business also improved the overall revenue margin of the Group. The resulting gross profit during the period under review was HK$167.9 million, representing an increase of 28% over the same period last year.

During the period, the Group incurred selling and marketing costs of HK$46.8 million and administrative expenses of HK$108.6 million, representing an increase of 75% and 74% over same period last year respectively. Since the Philips Group announced its intention to dispose of its mobile handset business, the Group implemented various measures to prepare for the change in its business model. New functional units including the Mould and Tooling Centre, the Product Research and Development Centre and the Logistics Centre were set up in 2006. These functional units not only streamlined the Group's operation flow and enhanced the business efficiency through economies of scale, they also enable the Group to establish a complete value chain in mobile handset manufacturing which extends the operation of the Group to a comprehensive scope. The increase in selling and marketing costs and administrative expenses was due to the additional costs incurred in these functional units.

Profit attributable to equity holders for the six months ended 30 June 2007 were HK$17 million (2006: HK$24.4 million). Basic earnings per share for the period was HK cents 1.57 (2006: HK cents 2.25). The Board resolved not to pay any interim dividend for the period (2006: Nil).

PROSPECTS

In February 2007, China Electronics Corporation ("CEC" together with its subsidiaries, the "CEC Group"), the ultimate controlling shareholder of the Company, announced that it had entered into an acquisition agreement with the Philips Group. As part of the acquisition, CEC Group acquired the mobile handset business of the Philips Group together with the ownership of the *"Xenium"* mark. In August 2007, the Group entered into a licence agreement with the Philips Group, pursuant to which the Philips Group agreed to grant an exclusive right to the Group to use certain of its trademark, including the *"Philips"* brand name and logo, in its manufacture and sales of mobile handsets. At the same time, the Group also entered into a licence agreement with CEC Group for the exclusive right to use *"Xenium"* brand name and logo in its manufacture and sales of mobile handsets.

These arrangements not only conclude the business reorganisation of the *"Philips"* mobile handset business, they also set out the roadmap of the future development of the mobile handset business of the Group. The licence of *"Philips"* and *"Xenium"* mark sets a major milestone to the Group for stepping into the global mobile handset market. Originally a local OEM/ODM product solution provider, the Group will become one of the major global mobile handset manufacturers under the new business model. By leveraging on the vast industrial resources and market experience of CEC Group and the strong market recognition of the *"Philips"* brand, the management is confident to bring back the growing momentum to the Group's mobile handset business and to capitalise the rapid growth of the global telecommunications market in the foreseeable future. The Group will endeavour to promote its mobile handset business as one of the leading industry player in the world.

FINANCIAL REVIEW

The Group generally finances its operation by internal resources and short term bank facilities. The Group had cash and bank balances of HK$392.6 million as at 30 June 2007 (31.12.2006: HK$419.8 million), which were primarily denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2007, the Group had unsecured short term bank borrowings of HK$120 million (31.12.2006: Nil), which were all denominated in Renminbi and were borrowed at contracted fixed interest rate. The Group's total bank facilities were approximately HK$700 million. As at 30 June 2007, the Group did not have any pledged assets or guarantee.

The Group's export sales are predominantly invoiced in United States dollars and its domestic sales are invoiced in Renminbi. The Group imports some of its raw materials and production and testing equipment from overseas suppliers which are paid in United States dollars, Japanese Yen and Euro. The Group will make use of hedging contracts, when appropriate, to leverage the risk of foreign exchange fluctuation arising from its operation.

As at 30 June 2007, the Group had net current assets of HK$513.9 million (31.12.2006: HK$516.3 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 59% (31.12.2006: 55%).

As at 30 June 2007, the Group had contracted but not provided for capital commitments of HK$1.6 million (31.12.2006: HK$1.3 million) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liabilities outstanding as at 30 June 2007.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 3,000 employees, the majority of whom were based in China. Personnel expenses during the period were HK$75.5 million (2006: HK$75.1 million).

The Group recognises the importance of high calibre and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration packages are largely in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. Bonus and other merit payments are linked with the performance of the Group and of the individuals as incentive to optimise performance. The Company has in place a share option scheme, pursuant to which share options may be granted to selected personnel of the Group, with a view to encouraging employees to work towards enhancing the value of the Group.

CONTINUING CONNECTED TRANSACTIONS

The Group's principal operating subsidiary, Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") entered into the Maintenance Services Agreement with Philips (China) Investment Company Limited ("Philips China"), whereby Sang Fei provides mobile handset maintenance services to Philips China for a term of one year commencing from 1 January 2006. The Maintenance Services Agreement had been renewed automatically in accordance with its terms in 2007.

On 12 February 2007, CEC announced that it had entered into an acquisition agreement with the Philips Group. As part of the acquisition, CEC Group acquired the 25% equity interest in Sang Fei held by members of the Philips Group. The acquisition was completed at the end of March 2007. After the completion of the acquisition, the Philips Group ceased to be a connected person of the Company, and hence, the transactions between members of the Group and members of the Philips Group were no longer continuing connected transactions of the Company.

The cap for the aggregate consideration to be received by Sang Fei from Philips China in relation to the provision of maintenance services in 2007 was RMB25 million. The directors of the Company are of the view that the transactions contemplated under the Maintenance Services Agreement are carried out in the ordinary and usual course of business of the Group and are on normal commercial terms which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

On 8 August 2007, Sang Fei entered into the Xenium Licence Agreement with Shenzhen SED Electronics Group Co., Ltd. ("Sang Da Electronics"), pursuant to which Sang Da Electronics agreed to procure the licensing of the *"Xenium"* mark to Sang Fei and provide Sang Fei with sales channels services. The royalty for the licensing of the *"Xenium"* mark shall be calculated based on a fixed rate for every unit of mobile handset bearing the *"Xenium"* mark sold. The maximum royalty payable shall be RMB13.5 million for the period commencing from the effective date of the Xenium Licence Agreement until 31 December 2007, RMB16 million for 2008, RMB17.5 million for 2009 and RMB4.2 million for the period commencing from 1 January 2010 until the expiry of the Xenium Licence Agreement. Such amounts have been set as the proposed annual caps for the transactions contemplated under the Xenium Licence Agreement. As a complementary service to the licensing of the *"Xenium"* mark, the sales channels service will be provided by Sang Da Electronics to Sang Fei free of charge.

On 8 August 2007, Sang Fei has also entered into the Comprehensive Services Agreements with P-Marshall Singapore Pte Limited and P-Marshall Hong Kong Limited (collectively "P-Marshall"), pursuant to which P-Marshall agreed to provide various business support services to Sang Fei. Such business support services include information technology services, human resources services, office space leasing services and such other business support services as Sang Fei may from time to time require. The Comprehensive Services Agreements do not impose any obligations on the part of Sang Fei to use any business support services to be provided by P-Marshall. The charges of the business support services to be provided by P-Marshall under the Comprehensive Services Agreements shall be the actual costs incurred by P-Marshall for the provision of such services. It is expected that the total consideration payable by Sang Fei under the Comprehensive Services Agreements during the term of the Comprehensive Services Agreements will not exceed the respective amounts set out in the following table. Accordingly, those amounts have been set as the proposed annual caps for the total consideration payable by Sang Fei under the Comprehensive Services Agreements:

Period	**Amount** *(RMB'000)*
From the commencement date of the Comprehensive Services Agreements to 31 December 2007	42,120
For the year ending 31 December 2008	56,160
For the year ending 31 December 2009	56,160
From 1 January 2010 to the expiry of the Comprehensive Services Agreements	14,040

On 17 June 2004, Sang Fei entered into the Business Services Agreement with CEC to set out the framework for the ongoing business relationship between the CEC Group on the one hand and Sang Fei on the other. The Business Services Agreement was supplemented by the Supplemental Business Services Agreement dated 21 December 2006 entered into between the same parties, pursuant to which, the term of the Business Services Agreement was extended to 31 December 2009. Pursuant to the Business Services Agreement, Sang Fei supplies products (including mobile handsets), raw materials and samples to the CEC Group and the CEC Group supplies raw materials and provides various support services, including after sales and maintenance services and renovation services, to Sang Fei.

As a result of anticipated increase in the volume of transactions between Sang Fei and the CEC Group following the completion of the disposal of the mobile handset business by the Philips Group to the CEC Group, the annual caps for certain continuing connected transactions between Sang Fei and the CEC Group pursuant to the Business Services Agreement were revised as follows:

Type of transaction	**2007** *(RMB'000)*	**2008** *(RMB'000)*	**2009** *(RMB'000)*
Sales of products, raw materials and samples			
– Annual charges receivable by the Group	2,520,000	3,500,000	3,900,000
Purchase of raw materials			
– Annual charges payable by the Group	820,000	1,160,000	1,300,000
After sales and maintenance services			
– Annual charges payable by the Group	60,000	80,000	90,000
Renovation services			
– Annual charges payable by the Group	15,000	10,000	10,000

Sang Da Electronics is a subsidiary of CEC. Each of P-Marshall Singapore Pte Limited and P-Marshall Hong Kong Limited is a wholly-owned subsidiary of Sang Da Electronics. CEC is the Company's ultimate controlling shareholder, holding 74.98% interest in the Company and therefore all of Sang Da Electronics, P-Marshall and CEC are connected persons of the Company. Accordingly, the transactions contemplated under the Xenium Licence Agreement, the Comprehensive Services Agreements and the Business Services Agreement are continuing connected transactions of the Company. The transactions contemplated under the Xenium Licence Agreement and the Comprehensive Services Agreements and the related proposed annual caps as well as the revision of the annual caps for the various continuing connected transactions under the Business Services Agreement were approved by the independent shareholders of the Company on 14 September 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Certain directors of the Company personally hold options to subscribe for ordinary shares of the Company. Details of such options are disclosed under the paragraph "Share Option Scheme" below. Apart from those disclosed therein, as at 30 June 2007, none of the directors, the chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) that were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SHARE OPTION SCHEME

During the six months ended 30 June 2007, no share option has been granted under the share option scheme adopted by the Company pursuant to an ordinary resolution passed on 20 June 2002 (the "Share Option Scheme").

As at 30 June 2007, the directors and the chief executive of the Company and employees of the Group had the following personal interests in options to subscribe for shares of the Company granted under the Share Option Scheme:

Name	**Options outstanding as at 1/1/2007**	**Options lapsed**	**Options outstanding as at 30/6/2007**
Directors			
Tong Baoan	3,800,000	–	3,800,000
Fan Qingwu	3,600,000	–	3,600,000
Hua Longxing	3,600,000	–	3,600,000
Sub-total	11,000,000	–	11,000,000
Aggregate of employees and other participants	10,150,000	(200,000)	9,950,000
Total	21,150,000	(200,000)	20,950,000

The options were all granted on 25 October 2005 under the Share Option Scheme. The options represent personal interest held by the grantees as beneficial owners. Grantees of such options are entitled to exercise the options at a price of HK$1.488 per share in the following periods:

(i) in respect of 40% of the options granted, from 1 November 2005 to 31 October 2008;

(ii) in respect of a further 30% of the options granted, from 1 November 2006 to 31 October 2009; and

(iii) in respect of the remaining 30% of the options granted, from 1 November 2007 to 31 October 2010.

Save as disclosed above, no options granted under the Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2007 was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company or their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company their relevant interests in the issued capital of the Company.

Name of shareholder	**Number of shares held**	**Percentage of shareholding**
China Electronics Corporation (BVI) Holdings Company Limited ("CEC BVI")	812,500,000	74.98%
CEC *(Note 1)*	812,500,000	74.98%
Devon Fortune Limited	83,091,358	7.66%
Mr. Chan Chak Shing	87,216,358 *(Note 2)*	8.04%

Notes:

(1) CEC holds 100% interest in CEC BVI and is deemed to be interested in the shares held by CEC BVI. The directors regard CEC as being the ultimate holding company of the Group.

(2) According to the notice filed by Devon Fortune Limited on 11 June 2007 in accordance with the SFO, Devon Fortune Limited was interested in 83,091,358 shares. According to the notice filed by Mr. Chan Chak Shing on 19 May 2005 in accordance with the SFO, Mr. Chan Chak Shing has a family interest of 4,125,000 shares. This 87,216,358 shares represent the aggregate of (i) the family interest of Mr. Chan Chak Shing of 4,125,000 shares and (ii) the corporate interest of 83,091,358 shares held by Devon Fortune Limited. As Mr. Chan Chak Shing holds 100% interest in Devon Fortune Limited, the shares held by Devon Fortune Limited are deemed to be interests of Mr. Chan Chak Shing.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 June 2007, no person or corporation had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2007, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with the directors of the Company, all the directors confirmed that they had compiled with the required standards as set out in the Model Code throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The audit committee of the Company comprises Messrs. Chan Kay Cheung, Wong Po Yan and Yin Yongli, being all independent non-executive directors of the Company. The Company's audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2007 and has recommended their adoption by the Board.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2007

(All amounts expressed in HK dollar thousands unless otherwise stated)

	Note	**30 June 2007 (Unaudited)**	31 December 2006 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**46,537**	61,685
Intangible assets	*5*	**14,909**	16,251
Deferred income tax assets		**14,982**	8,916
Total non-current assets		**76,428**	86,852
Current assets			
Inventories	*6*	**468,714**	335,802
Trade and other receivables	*7*	**508,391**	493,179
Cash and cash equivalents	*8*	**392,628**	419,809
Total current assets		**1,369,733**	1,248,790
Total assets		**1,446,161**	1,335,642
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Issued equity	*9*	**370,074**	370,074
Other reserves	*10*	**54,793**	55,137
Retained earnings			
– Proposed dividend		**–**	17,337
– Unappropriated retained earnings		**38,803**	21,815
		463,670	464,363
Minority interests		**126,642**	138,775
Total equity		**590,312**	603,138
LIABILITIES			
Current liabilities			
Trade and other payables	*11*	**718,512**	717,826
Current income tax liabilities		**819**	2,044
Short term bank loans	*12*	**120,000**	–
Provision for warranty	*13*	**16,518**	12,634
Total liabilities		**855,849**	732,504
Total equity and liabilities		**1,446,161**	1,335,642
Net current assets		**513,884**	516,286
Total assets less current liabilities		**590,312**	603,138

The notes on pages 12 to 26 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(All amounts expressed in HK dollar thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	**2007**	2006
Sales	*4*	**1,313,382**	1,895,669
Cost of goods sold	*15*	**(1,145,520)**	(1,764,989)
Gross profit		**167,862**	130,680
Other gain – net	*14*	**7,000**	3,001
Selling and marketing costs	*15*	**(46,771)**	(26,779)
Administrative expenses	*15*	**(108,637)**	(62,491)
Operating profit		**19,454**	44,411
Finance income/(costs) – net	*16*	**3,620**	(1,446)
Profit before income tax		**23,074**	42,965
Income tax credit/(expense)	*17*	**4,180**	(2,509)
Profit for the period		**27,254**	40,456
Attributable to:			
– Equity holders of the Company		**16,988**	24,421
– Minority interests		**10,266**	16,035
		27,254	40,456
Earnings per share for profit attributable to the equity holders of the Company during the six months ended 30 June (expressed in HK cents per share)			
– Basic and diluted	*18*	**1.57**	2.25
Dividends	*19*	**N/A**	N/A

The notes on pages 12 to 26 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(All amounts expressed in HK dollar thousands unless otherwise stated)

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Issued equity	Other reserves	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2006		370,074	35,062	24,880	430,016	138,379	568,395
Dividends relating to 2005	*19*	–	–	(21,671)	(21,671)	–	(21,671)
Dividends paid by a subsidiary		–	–	–	–	(30,470)	(30,470)
Share option granted	*10*	–	2,625	–	2,625	–	2,625
Currency translation differences		–	(609)	–	(609)	–	(609)
Profit for the period		–	–	24,421	24,421	16,035	40,456
Balance at 30 June 2006		370,074	37,078	27,630	434,782	123,944	558,726
Balance at 1 January 2007		370,074	55,137	39,152	464,363	138,775	603,138
Dividends relating to 2006	*19*	–	–	(17,337)	(17,337)	–	(17,337)
Dividends paid by a subsidiary		–	–	–	–	(21,747)	(21,747)
Share option granted	*10*	–	868	–	868	–	868
Currency translation differences		–	(1,212)	–	(1,212)	(652)	(1,864)
Profit for the period		–	–	16,988	16,988	10,266	27,254
Balance at 30 June 2007		370,074	54,793	38,803	463,670	126,642	590,312

The notes on pages 12 to 26 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(All amounts expressed in HK dollar thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2007	2006
Net cash (used in)/generated from operating activities	**(104,849)**	64,152
Net cash used in investing activities	**(2,595)**	(18,133)
Net cash generated from/(used in) financing activities	**80,263**	(96,019)
Net decrease in cash and cash equivalents	**(27,181)**	(50,000)
Cash and cash equivalents at 1 January	**419,809**	306,381
Cash and cash equivalents at 30 June	**392,628**	256,381
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	**392,628**	256,381

The notes on pages 12 to 26 form an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2007

(All amounts expressed in HK dollar thousands unless otherwise stated)

1 General Information

China Electronics Corporation Holdings Company Limited (the "Company") was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company has its shares listing on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries (collectively the "Group") comprise the manufacturing and sales of portable electronics products.

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 21 September 2007.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 Accounting policies

The accounting policies adopted in this interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2006 as described in the 2006 annual report of the Company.

The following new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards are mandatory for financial year ending 31 December 2007:

- HKAS 1 Amendment: 'Capital Disclosures';
- HKFRS 7: 'Financial Instruments-Disclosures';
- HK(IFRIC)-Int 7: 'Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies';
- HK(IFRIC)-Int 8: 'Scope of HKFRS 2, Share-based Payment';
- HK(IFRIC)-Int 9: 'Reassessment of Embedded Derivatives'; and
- HK(IFRIC)-Int 10: 'Interim Financial Reporting and Impairment'.

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in annual consolidated financial statement.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007:

- HKFRS 8: 'Operating Segments', applicable for annual periods beginning on or after 1 January 2009;
- HK(IFRIC)-Int 11: 'HKFRS 2 – Group and Treasury Share Transactions', applicable for annual periods beginning on or after 1 March 2007;
- HK(IFRIC)-Int 12: 'Service Concession Arrangements', applicable for annual periods beginning on or after 1 January 2008; and
- HKAS 23 Revised: 'Borrowing costs', applicable for annual periods beginning on or after 1 January 2009.

The Group has not early adopted any of the above standards or interpretations. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial position.

4 Segment information

(a) Primary reporting format – business segment – (Unaudited)

The Group is principally engaged in manufacturing and sales of portable electronics products.

	"Philips" Original Equipment Manufacturer ("OEM") products Six months ended 30 June		Own branded and other Original Design Manufacturer products Six months ended 30 June		OEM of other products and other operations Six months ended 30 June		Total Six months ended 30 June	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Sales	**808,032**	1,135,349	**402,452**	741,477	**102,898**	18,843	**1,313,382**	1,895,669
Segment results	**119,293**	50,494	**35,613**	79,785	**12,956**	401	**167,862**	130,680
Other gains – net							**7,000**	3,001
Unallocated costs							**(155,408)**	(89,270)
Operating profit							**19,454**	44,411
Finance income/ (costs) – net							**3,620**	(1,446)
Profit before income tax							**23,074**	42,965
Income tax credit/(expense)							**4,180**	(2,509)
Profit for the period							**27,254**	40,456

Unallocated costs consist primarily of selling and marketing costs and administrative expenses, which contribute to all business segments.

(b) Secondary reporting format – geographical segment – (Unaudited)

The Group's three business segments operate in four main geographical areas – Mainland China, Hong Kong, Asia excluding Mainland China and Hong Kong and Europe. The segment sales are allocated based on the places in which customers are located.

	Six months ended 30 June	
	2007	2006
Sales		
Mainland China	**547,378**	997,458
Hong Kong	**435,849**	463,167
Asia excluding Mainland China and Hong Kong	**188,829**	427,630
Europe	**141,326**	7,414
	1,313,382	1,895,669

5 Capital expenditures

	Intangible assets (unaudited)	Property, plant and equipment (unaudited)	Total (unaudited)
Opening net book amount as at 1 January 2006	14,113	79,051	**93,164**
Additions	1,854	19,121	**20,975**
Disposals	–	(25)	**(25)**
Depreciation/amortisation charge	(1,935)	(22,632)	**(24,567)**
Closing net book amount as at 30 June 2006	14,032	75,515	**89,547**
Opening net book amount as at 1 January 2007	16,251	61,685	**77,936**
Additions	1,269	7,230	**8,499**
Disposals	–	(60)	**(60)**
Depreciation/amortisation charge	(2,611)	(22,318)	**(24,929)**
Closing net book amount as at 30 June 2007	14,909	46,537	**61,446**

6 Inventories

	As at	
	30 June 2007 (Unaudited)	31 December 2006
Raw materials	**258,064**	230,856
Work in progress	**64,391**	54,850
Finished goods	**146,259**	50,096
	468,714	335,802

The cost of inventories recognised as expenses and included in cost of goods sold amounted to HK$1,076,777,000 (30 June 2006: HK$1,764,989,000).

Provision of inventories to net realisable value of HK$931,000 (30 June 2006: HK$2,404,000) has been expensed in cost of goods sold during the period.

7 Trade and other receivables

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Trade receivables *(Note (a))*	**367,855**	415,932
Notes receivable	**28,190**	799
Other receivables due from related parties *(Note 22(d))*	**6,782**	24,026
Prepayments and deposits	**60,240**	21,011
Value-added tax refundable	**13,582**	25,739
Other receivables	**31,742**	5,672
	508,391	493,179

The directors are of the opinion that the carrying amounts of trade and other receivables approximate their fair values. All trade and other receivables are due within 1 year and are non interest-bearing.

(a) The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit term of 30 to 60 days. The ageing analysis of the Group's trade receivables was as follows:

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Current to 30 days	**324,214**	410,109
31 – 60 days	**893**	2,561
Over 60 days	**42,748**	3,262
	367,855	415,932

Including in the balance were trade receivables from related parties of HK$25,744,000 (31 December 2006: HK$352,597,000) *(Note 22(d))*.

8 Cash and cash equivalents

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Cash at bank and in hand		
China Electronics Corporation Finance Co., Ltd. *(Note 22(d))*	–	51,595
Cash at other banks and in hand	**173,313**	170,131
	173,313	221,726
Short-term bank deposits	**219,315**	198,083
	392,628	419,809

China Electronics Corporation Finance Co., Ltd. is a non-bank financial institution approved by the People's Bank of China. The deposits yield interest at prevailing saving deposit rates.

The effective interest rate on short-term bank deposits was 2.77% (31 December 2006: 2.459%). The maturity days of these deposits ranged from 7 to 90 days (31 December 2006: 5 to 29 days)

9 Issued equity

	Number of shares issued by the Company *(Note (a))*	Issued equity *(Note (b))*
As at 1 January and 30 June 2006	1,083,560,000	370,074
As at 1 January and 30 June 2007	1,083,560,000	370,074

(a) The number of shares reflect the Company's ordinary share of HK$0.01 each issued and fully paid.

(b) On 10 December 2003, China Electronics Corporation ("CEC"), the Company's then holding company, Winsan International Holdings Limited ("Winsan") entered into a sale and purchase agreement to acquire CEC's 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei") (the "Acquisition"). The Acquisition was completed on 24 September 2004 and has been accounted for as a reverse acquisition. For accounting purpose, Sang Fei is regarded as the acquirer while the Company and its then subsidiaries are deemed to have been acquired by Sang Fei. Accordingly, the amount recognised as issued equity, which consists of share capital and share premium, has been determined by adding to the issued equity of Sang Fei immediately before the completion of the Acquisition the cost of the acquisition of Winsan and its subsidiaries.

10 Other reserves

	Capital reserve (unaudited) *(Note (a))*	Surplus reserves (unaudited) *(Note (b))*	Share option (unaudited) *(Note (c))*	Translation reserve (unaudited)	Total (unaudited)
At 1 January 2006	(1,806)	25,992	6,572	4,304	35,062
Share option granted	–	–	2,625	–	2,625
Currency translation differences	–	–	–	(609)	(609)
At 30 June 2006	(1,806)	25,992	9,197	3,695	37,078
At 1 January 2007	(1,806)	33,325	10,226	13,392	55,137
Share option granted	–	–	868	–	868
Currency translation differences	–	–	–	(1,212)	(1,212)
At 30 June 2007	(1,806)	33,325	11,094	12,180	54,793

(a) Capital reserve

Capital reserve represents the exchange differences arising from paid-in capital paid by foreign currencies in the principal subsidiary, Sang Fei.

(b) Surplus reserves

In accordance with the "Laws of the PRC on Joint Ventures Using Chinese and Foreign Investment" and Sang Fei's Articles of Association, appropriations of the reserve fund and the enterprise expansion fund from profit after taxation have to be made prior to profit distribution to the equity owners. The percentage of appropriation of reserve fund and the enterprise expansion fund is approved by the board of directors. Upon approval from the board of directors, the reserve fund can be used to offset against accumulated losses or to increase capital while the enterprise expansion fund can be used to expand production and to increase capital.

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is distributable to shareholders in certain circumstances as specified in section 54 thereof.

(c) Share option

On 25 October 2005, 28,450,000 options were granted to certain directors, employees and other participants at an exercise price of HK$1.488 under the Share Option Scheme. 40% of the options granted are exercisable from 1 November 2005 to 31 October 2008, another 30% will become exercisable from 1 November 2006 to 31 October 2009 and the remaining 30% will become exercisable from 1 November 2007 to 31 October 2010. No option was exercised during the period.

Expense arising from the share option scheme are recognised in administrative expenses and are amortised over the vesting period of the options granted. The expense recognised during the period amounted to HK$868,000 (30 June 2006: HK$2,625,000).

11 Trade and other payables

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Trade payables *(Note (a))*	**474,274**	511,472
Other payables due to related parties *(Note 22(d))*	**1,400**	17,072
Accrued expenses	**82,424**	47,205
Advance from customers	**50,320**	52,870
Other payables	**110,094**	89,207
	718,512	717,826

The directors are of the opinion that the carrying amounts of trade and other payables approximate their fair values. All trade and other payables are non interest-bearing.

(a) The ageing analysis of trade payables was as follows:

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Current to 30 days	**438,129**	487,812
31 – 60 days	**1,415**	14
Over 60 days	**34,730**	23,646
	474,274	511,472

Included in the balance were trade payables due to related parties amounted to HK$6,779,000 (31 December 2006: HK$29,060,000) *(Note 22(d))*.

12 Short term bank loans

	As at 30 June 2007 (Unaudited)	As at 31 December 2006
Short term bank loans	**120,000**	–

The bank loans as at 30 June 2007 were unsecured, repayable within one year and bear interest at the average borrowing rate of 5.14% per annum.

The carrying amounts of bank loans were denominated in Renminbi and approximated their fair values.

The Group had total borrowing facilities of approximately HK$700,000,000 as at 30 June 2007 (31 December 2006: HK$1,000,000,000). The facilities are at fixed rate and expiring within one year which are subject to review at various dates during 2007.

13 Provision for warranty

	Unaudited Six months ended 30 June	
	2007	2006
At 1 January	**12,634**	2,106
Additional provisions charged to income statement	**17,791**	14,344
Less: utilised during the period	**(13,907)**	(6,079)
At 30 June	**16,518**	10,371

The Group gives 15-month warranties on own branded and certain Original Design Manufacturer products distributed by Sang Fei for end users in the PRC market and undertakes to repair and replace items that fail to operate satisfactorily. Provision has been recognised for expected warranty claims based on past experience of the level of repairs and returns.

14 Other gain – net

	Unaudited Six months ended 30 June	
	2007	2006
Sales of samples and materials	**954**	2,314
Written off of payables	**5,835**	–
Others	**211**	687
	7,000	3,001

15 Expenses by nature

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

	Unaudited Six months ended 30 June	
	2007	2006
Employee benefits expenses	**74,802**	74,127
Changes in inventories of finished goods and work in progress	**(108,633)**	29,310
Raw material and consumables used	**1,185,410**	1,625,396
Depreciation of property, plant and equipment *(Note 5)*	**22,318**	22,632
Amortisation of intangible assets *(Note 5)*	**2,611**	1,935
Written down of inventories to net realisable value *(Note 6)*	**931**	2,404
Provision for warranty *(Note 13)*	**17,791**	14,344
Operating lease expenses of buildings and equipment	**11,809**	8,108
Research and development costs	**19,721**	3,355
Directors' remuneration	**714**	995
Auditor's remuneration	**611**	490

16 Finance income / (costs) – net

	Unaudited Six months ended 30 June	
	2007	2006
Interest income	**5,633**	2,842
Interest expenses on bank loans	**(2,013)**	(4,288)
	3,620	(1,446)

17 Income tax credit / (expense)

	Unaudited Six months ended 30 June	
	2007	2006
Current taxation – PRC enterprise income tax *(Note b)*	**(1,886)**	(4,680)
Deferred income tax *(Note c)*	**6,066**	2,171
	4,180	(2,509)

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30 June 2007 (30 June 2006: Nil).

(b) The principal subsidiary, Sang Fei, is a foreign investment production enterprise established in Shenzhen Special Economic Zone in the PRC, the prevailing enterprise income tax rate is 15%. As approved by the tax authorities in 1998, Sang Fei is entitled to exemption from income taxes for two years followed by a 50% tax reduction for three years, commencing from the year ended 31 December 2000, the first cumulative profit-making year net of losses carried forward. Accordingly, the tax holiday ended at 31 December 2004.

Sang Fei was certified as a high-tech enterprise from 2002 and as approved by the tax authorities in 2004, Sang Fei is entitled to 50% tax reduction from enterprise income tax for further three years starting from 2005. Consequently, enterprise income tax have been provided at the rate of 7.5% for the six months ended 30 June 2007 (30 June 2006: 7.5%). Such tax reduction will end at 31 December 2007.

(c) Deferred taxation was recognised for impairment provision of inventory, accelerated depreciation of property, plant and equipment and other timing differences.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which is effective from 1 January 2008. Since the deferred tax assets shall be measured at the tax rates that are expected to apply to the period when the asset is realised, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets of the Group. Up to the approval date of this financial information, detailed measures of the New CIT Law have yet to be issued. Specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified. Consequently, the Group is not in a position to reasonably assess the impact, if any, to the carrying values of deferred tax assets as the result of the implementation of the New CIT Law. Without taking into account of the impact of the New CIT Law, the enterprise income tax rate for Sang Fei will be 15% from 2008, and this rate was adopted in computing the deferred taxation as at 30 June 2007 (31 December 2006: 7.5%). The Group will further evaluate the impact to its operating results and financial positions of future periods as more detailed measures and other related regulations are announced.

18 Earnings per share

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the six months ended 30 June 2007 of HK$16,988,000 (30 June 2006: HK$24,421,000) and 1,083,560,000 (2006: 1,083,560,000) ordinary shares in issue during the six months ended 30 June 2007.

For the six months ended 30 June 2007, because the exercise of the share option granted under the share option scheme of the Company would have an anti-dilutive effect, the potential ordinary shares so arising are not included in calculating the earnings per share. Other than that, the Company does not have any diluted shares and accordingly the basic and diluted earnings per share are the same.

19 Dividends

2006 final dividend of HK$0.016 (2005 final: HK$0.02) per ordinary share totaling HK$17,337,000 (2005 final: HK$21,671,000) was declared in March 2007 and paid in June 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

20 Commitments

(a) Capital commitments

As at 30 June 2007, the Group's capital commitments which were contracted but not provided for were as follows:

	As at	
	30 June 2007 (Unaudited)	31 December 2006
Purchase of property, plant and equipment and computer software	**1,608**	1,259

(b) Operating lease commitments

As at 30 June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases of buildings and office equipment as follows:

	As at	
	30 June 2007 (Unaudited)	31 December 2006
Not later than one year	**26,681**	26,218
In the second to fifth year	**13,179**	19,774
	39,860	45,992

21 Contingent liability

The Group did not have any material contingent liabilities outstanding as at 30 June 2007 (31 December 2006: Nil).

22 Related party transactions and balances

Parties are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the six months ended 30 June 2007, the Group entered into transactions with companies under common control of:

– CEC, the ultimate holding company. These companies are denoted by * below;

– Koninklijke Philips Electronics N.V. ("KPE") (a company incorporated in Holland), the ultimate holding company of the minority shareholder with significant influence on operation of the principal subsidiary, Sang Fei. These companies are denoted by # below.

In March 2007, KPE disposed of its equity interests, through its subsidiary, in Sang Fei to Shenzhen SED Electronics Group Co., Ltd., a subsidiary of CEC and ceased its significant influence on Sang Fei. From then onward, KPE and the companies under its common control are not the Group's related parties. Consequently the Group's transactions with them since 1 April 2007 and the balances with them as at 30 June 2007 are not disclosed as related party transactions and balances.

(a) Sales of goods, samples and materials and maintenance services

	Unaudited Six months ended 30 June	
	2007	2006
Sales of products:		
Philips (China) Investment Co., Ltd#	**207,345**	935,559
Philips Electronics Singapore Pte. Ltd.#	**171,609**	419,176
Philips Electronics Hong Kong Ltd.#	**67,253**	178,715
Shenzhen SED Coalition Electronics Co., Ltd. ("SED Coalition")* *(i)*	**143,285**	–
Philips Consumer Electronics B.V.#	**156**	–
Philips France S.A.S.#	**–**	1,651
Sales of samples and materials:		
Philips Consumer Electronics B.V.#	**336**	5,003
Philips (China) Investment Co., Ltd#	**311**	2,586
Philips Electronics Singapore Pte. Ltd#	**660**	615
Philips Electronics Hong Kong Ltd.#	**81**	283
Philips France S.A.S#	**–**	23
Sales of maintenance services:		
Philips (China) Investment Co., Ltd#	**3,158**	13,188

Members of KPE and its affiliated companies (the "Philips Group") and members of CEC and its group companies (the "CEC Group") are the major customers of the Group.

(i) SED Coalition is a distributor of the Philips Group. From 1 April 2007, the Group sold *"Philips"* mobile handset products directly to SED Coalition under instructions of the Philips Group.

22 Related party transactions and balances *(Continued)*

(b) Other transactions

		Unaudited Six months ended 30 June	
		2007	2006
Purchases of goods:	*(i)*		
Philips Electronics Hong Kong Ltd.#		**288**	93,787
Shenzhen Sang Da Baili Electronics Co., Ltd.*		**22,811**	5,563
SED (Hong Kong) Co., Ltd.*		**23,958**	–
Philips (China) Investment Co., Ltd.#		**559**	–
Philips France S.A.S.#		**–**	2,526
Shenzhen SED Fitment & Decoration Co., Ltd.*		**–**	1,544
Shanghai SED ARC Co., Ltd.*		**–**	699
Philips Electronics Trading Services (Shanghai) Co., Ltd.#		**–**	620
Langfang CEC Dacheng Electronics Co,. Ltd.*		**–**	608
Philips Electronics Beijing Co., Ltd.#		**–**	285
Processing services:	*(ii)*		
Shenzhen Sang Da Baili Electronics Co., Ltd.*		**2,555**	2,538
Shenzhen SED Industry Co., Ltd.*		**2,156**	2,077
Fitment and decoration services:	*(iii)*		
Shenzhen SED Fitment & Decoration Co., Ltd.*		**45**	767
Canteen services:	*(iv)*		
Shenzhen Sang Da Baili Electronics Co., Ltd.*		**4,676**	6,247
Repair and maintenance services:	*(v)*		
Shenzhen SED ARC Co., Ltd.*		**4,629**	50
Shanghai SED ARC Co., Ltd.*		**1,079**	353
Rental:	*(vi)*		
Shenzhen SED Industry Co., Ltd.*		**3,848**	4,277
China Great Wall Computer Shenzhen Co., Ltd.*		**609**	–
Great Wall Technology Co., Ltd.*		**809**	–

(i) Members of the Philips Group are the suppliers of raw materials. Purchases of raw materials from the Philips Group were carried out in the ordinary course of business and on commercial terms and conditions.

The Group from time to time purchases raw materials from members of the CEC Group. Purchases of goods from the CEC Group were carried out in the ordinary course of business and on commercial terms and conditions.

(ii) The Group secured dedicated processing services of surface mount assembly production lines from members of the CEC Group. The processing services were carried out on commercial terms and conditions.

(iii) The Group engaged members of the CEC Group to undertake renovation works in connection with the expansion of the Group's production premises. The fitment and decoration services were carried out in the ordinary course of business and were on commercial terms and conditions.

(iv) Shenzhen Sang Da Baili Electronics Co., Ltd. provides canteen services to the production staff of the Group. The fee of the canteen services were calculated by reference to actual consumption and an agreed fixed premium and were carried out on commercial terms and conditions.

22 Related party transactions and balances *(Continued)*

(b) Other transactions *(Continued)*

(v) The Group engaged Shenzhen SED ARC Co., Ltd. and Shanghai SED ARC Co., Ltd. for after sales product repair services in respect of its own-branded products. The repair and maintenance services were carried out on commercial terms and conditions.

(vi) The production facilities and some of the staff quarters of the Group were located within an industrial complex owned by members of the CEC Group. The rentals were based on lease agreements entered into by the relevant parties and the Group and were calculated on commercial terms and conditions.

(c) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2007	2006
Salaries and other short-term benefits	**1,230**	1,355
Employer's contribution to pension scheme	**63**	49
Share-based compensations	**503**	2,036
	1,796	3,440

22 Related party transactions and balances *(Continued)*

(d) Period-end balance arising from sales and other transactions

	As at 30 June 2007 (unaudited)	As at 31 December 2006
Trade receivables due from related parties:		
Philips Electronics Singapore Pte. Ltd.#(i)	–	223,114
Philips (China) Investment Co., Ltd.#(i)	–	93,525
Philips Electronics Hong Kong Ltd.#(i)	–	35,407
Philips Electronics Trading Services (Shanghai) Co., Ltd.#(i)	–	551
SED Coalition*	25,744	–
	25,744	352,597
Other receivables due from related parties:		
Philips Electronics Hong Kong Ltd.#(i)	–	11,621
Philips (China) Investment Co. Ltd.#(i)	–	10,035
Philips Consumer Electronics B.V#(i)	–	1,867
Philips France S.A.S.#(i)	–	164
Shenzhen SED International Electronic Device Co., Ltd.*	254	101
Shenzhen Sang Da Baili Electronics Co., Ltd.*	261	99
Philips Electronics Singapore Pte. Ltd.#(i)	–	139
Shenzhen SED Electronics Group Co., Ltd.*	6,200	–
SED Coalition*	67	–
	6,782	24,026
Prepayments:		
SED (Hong Kong) Co., Ltd.*	25,360	–
Shenzhen Sang Da Baili Electronics Co., Ltd.*	17,928	6,205
	43,288	6,205
Trade payables due from related parties:		
Philips Electronics Hong Kong Ltd.#(i)	–	16,263
Philips (China) Investment Co., Ltd.#(i)	–	6,223
Philips France S.A.S.#(i)	–	4,248
Shenzhen Sang Da Baili Electronics Co., Ltd.*	1,236	1,823
Philips Electronics Singapore Pte. Ltd.#(i)	–	287
Philips Electronics (Beijing) Co., Ltd.#(i)	–	180
Philips Electronics Trading Services (Shanghai) Co., Ltd.#(i)	–	22
SED (Hong Kong) Co., Ltd.*	5,533	–
Langfang CEC Dacheng Electronic Co., Ltd.*	–	14
Shenzhen SED Fitment and Decoration Co., Ltd.*	10	–
	6,779	29,060
Other payables due from related parties:		
Philips France S.A.S.#(i)	–	6,244
Philips Electronics Hong Kong Ltd.#(i)	–	6,197
Philips Electronics Singapore Pte. Ltd.#(i)	–	2,408
SED Coalition*	3	–
Shenzhen Sang Da Baili Electronics Co., Ltd.*	425	998
Shenzhen SED ARC Co., Ltd.*	722	448
Shanghai SED ARC Co., Ltd.*	241	–
Philips (China) Investment Co., Ltd.#(i)	–	399
Philips Electronics Trading Services (Shanghai) Co., Ltd.#(i)	–	285
Shenzhen SED Fitment and Decoration Co., Ltd.*	9	93
	1,400	17,072

22 Related party transactions and balances *(Continued)*

(d) Period-end balance arising from sales and other transactions *(Continued)*

	As at 30 June 2007 (unaudited)	As at 31 December 2006
Advance from customers:		
SED Coalition*	**11,122**	2,027
Shenzhen SED Selling Co., Ltd.*	**243**	–
	11,365	2,027
Deposits:		
China Electronics Corporation Finance Co., Ltd.* *(Note 8)*	**–**	51,595

(i) As detailed above, KPE and the companies under its common control are not the Group's related parties since 1 April 2007. Consequently, the balances with them as at 30 June 2007 are not disclosed as related party balances.