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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)

2025 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of China Electronics Huada Technology Company Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2025 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
		2025	2024
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,112,346	1,360,635
Cost of sales		(698,249)	(793,267)
Gross profit		414,097	567,368
Other income – net	4	36,496	52,327
Selling and marketing costs		(23,066)	(26,815)
Administrative expenses		(272,167)	(238,040)
Impairment losses on trade and other receivables		(3,969)	(271)
Operating profit		151,391	354,569
Finance income	5	6,265	8,602
Finance costs	5	(11,961)	(19,530)
Finance costs – net	5	(5,696)	(10,928)
Share of result of an associate		(109)	(626)
Profit before taxation	6	145,586	343,015
Taxation	7	(5,478)	(34,243)
Profit for the period		140,108	308,772

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

		Unaudited	
		Six months ended 30 June	
		2025	2024
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
	Owners of the Company	138,560	309,545
	Non-controlling interests	1,548	(773)
		140,108	308,772
		<i>HK cents</i>	<i>HK cents</i>
	Basic earnings per share	6.83	15.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	140,108	308,772
Other comprehensive income for the period, net of taxation:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements	31,568	(12,116)
Items that will not be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	8,032	(3,528)
Total comprehensive income for the period	179,708	293,128
Total comprehensive income for the period attributable to:		
Owners of the Company	178,160	294,066
Non-controlling interests	1,548	(938)
	179,708	293,128

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		54,714	56,980
Right-of-use assets		33,547	43,732
Investment properties		42,706	42,177
Intangible assets		54,850	66,631
Investment in associates		20,846	20,715
Trade and other receivables	10	40,127	144,406
Deferred tax assets		50,449	55,824
Time deposits		646,965	637,122
		<u>944,204</u>	<u>1,067,587</u>
Current assets			
Inventories		833,025	847,662
Trade and other receivables	10	695,140	525,949
Income tax receivables		75,532	48,121
Time deposits and restricted cash		657,385	941,646
Cash and cash equivalents		1,027,579	743,036
		<u>3,288,661</u>	<u>3,106,414</u>
Total assets		<u><u>4,232,865</u></u>	<u><u>4,174,001</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	<i>Note</i>		
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and premium		225,454	225,454
Reserves		2,213,274	2,217,802
		2,438,728	2,443,256
Non-controlling interests		29,318	27,770
Total equity		2,468,046	2,471,026
Liabilities			
Non-current liabilities			
Lease liabilities		3,302	13,706
Trade and other payables	<i>11</i>	38,064	97,508
Deferred tax liabilities		28,740	46,208
Contract liabilities		–	2,748
		70,106	160,170
Current liabilities			
Deferred government grants		21,405	22,539
Contract liabilities		61,226	131,481
Trade and other payables	<i>11</i>	1,195,731	979,438
Bank and other borrowings		383,841	378,020
Lease liabilities		32,510	31,327
		1,694,713	1,542,805
Total liabilities		1,764,819	1,702,975
Total equity and liabilities		4,232,865	4,174,001

Notes:

1 BASIS OF PREPARATION

Compliance with HKFRS Accounting Standards and Listing Rules

The condensed consolidated interim financial statements have been prepared in accordance with all applicable disclosure requirements of Appendix D2 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 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2024, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair value.

2 PRINCIPAL ACCOUNTING POLICIES

Except for the adoption for the first time of all the new or amended HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants that are relevant to the Group’s operations and effective for the accounting period beginning on 1 January 2025, the accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2024.

The adoption of these new or amended HKFRS Accounting Standards had no material effect on the results and financial position of the Group and/or disclosures set out in the condensed consolidated interim financial statements.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Sale of integrated circuit products and provision of services	1,112,346	1,360,635

Most of the revenue of the Group is from sale of goods, which is recognised at a point in time when control of the goods is transferred to the customers.

(b) Segment information

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

The Board considers that the Group's operations are operated and managed as a single segment and accordingly, no segment information is presented.

Nearly 100% of the Group's revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China, and therefore no geographical information is presented.

4 OTHER INCOME – NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Government grants from the ordinary course of business	16,539	36,650
Changes in fair value of investment properties	(121)	(5,352)
Interest income	18,617	19,652
Rental income	1,223	–
Others	238	1,377
	36,496	52,327

5 FINANCE COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Finance costs		
– Interest expense on borrowings	7,389	9,774
– Interest expense on lease liabilities	699	943
– Interest expense arose from guarantee deposits received	3,873	8,813
	<u>11,961</u>	<u>19,530</u>
Finance income		
– Interest income on cash and cash equivalents	(2,723)	(4,337)
– Interest income arose from guarantee deposits paid	(3,542)	(4,265)
	<u>(6,265)</u>	<u>(8,602)</u>
Finance costs – net	<u><u>5,696</u></u>	<u><u>10,928</u></u>

6 PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	10,962	6,525
Depreciation of right-of-use assets	11,475	11,515
Amortisation of intangible assets	23,071	18,854
(Reversal of provision)/provision for inventories	(9,132)	10,288
Employee benefit expenses	<u><u>187,575</u></u>	<u><u>162,506</u></u>

Research and development costs recognised as expenses and included in administrative expenses for the six months ended 30 June 2025 were HK\$222,909,000 (2024: HK\$183,250,000), mainly comprised of employee costs of HK\$140,746,000 (2024: HK\$108,473,000) and material costs of HK\$35,735,000 (2024: HK\$36,413,000). No research and development costs were capitalised during the six months ended 30 June 2025 (2024: nil). For the six months ended 30 June 2025, reversal of provision for inventories of HK\$9,132,000 (2024: provision for inventories of HK\$10,288,000) has been credited/charged to cost of sales.

7 TAXATION

	Unaudited	
	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Current taxation		
– PRC corporate income tax	(5,594)	22,442
Deferred taxation		
– Origination and reversal of temporary difference	6,279	366
– Withholding tax on undistributed profits (<i>Note (c)</i>)	4,793	11,435
	11,072	11,801
Taxation	5,478	34,243

- (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 2025 (2024: nil).
- (b) In accordance with the relevant regulations of the corporate income tax laws of the PRC, the applicable statutory tax rate of CEC Huada Electronic Design Co., Ltd (“Huada Electronics”) and Shanghai Huahong Integrated Circuit Co., Ltd (“Huahong”) is 25%. Nevertheless, since Huada Electronics qualifies as an “Integrated Circuit Design Enterprises in National Planning Layout” and Huahong qualifies as a “High and New Technology Enterprise” for the year ending 31 December 2025, Huada Electronics and Huahong have adopted a preferential tax rate of 10% and 15% respectively for the six months ended 30 June 2025 (2024: a preferential tax rate of 10% and 15% respectively).
- (c) According to the relevant regulations of the corporate income tax laws of the PRC, when the Group’s foreign investment enterprises distribute dividends out of their profits earned from 1 January 2008 onwards to its shareholders outside Mainland China, such dividends are subject to withholding tax at a rate of 10%.

8 DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 30 June 2025 (2024: nil).

9 EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2025	2024
Profit for the period attributable to owners of the Company (HK\$'000)	138,560	309,545
Weighted average number of ordinary shares in issue	2,029,872,000	2,029,872,000
Basic earnings per share (HK cents)	6.83	15.25

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

10 TRADE AND OTHER RECEIVABLES

The majority of the Group's sales are with credit terms of 30 days to 180 days. The remaining sales are due immediately after the delivery of goods or provision of services. The ageing analysis of the Group's trade receivables (net of loss allowance for impairment) by invoice date is as follows:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within 30 days	160,636	120,825
31 days to 60 days	44,221	117,591
61 days to 180 days	306,032	108,846
Over 180 days and within 1 year	831	93
Over 1 year	1,116	2,811
	512,836	350,166

11 TRADE AND OTHER PAYABLES

The ageing analysis of the Group's trade payables by invoice date is as follows:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within 30 days	138,781	182,969
31 days to 60 days	54,102	130,117
Over 60 days	367,716	103,783
	560,599	416,869

BUSINESS REVIEW

Results overview

Revenue of the Group for the six months ended 30 June 2025 amounted to HK\$1,112.3 million, representing a decrease of 18.2% when comparing with the corresponding period of last year. Profit attributable to owners of the Company amounted to HK\$138.6 million, representing a decrease of 55.2% when comparing with the corresponding period of last year. The basic earnings per share was HK6.83 cents (2024: HK15.25 cents).

Integrated circuits design business

The Group's integrated circuits design business comprises the design of smart cards and secure element chips and the development of application system. Currently, the Group's products are mainly used in the sectors of identity authentication, financial payment, government utilities, telecommunications, Internet of Things and Internet of Vehicles. For the six months ended 30 June 2025, the Group obtained 8 new patents, registered 4 new software copyrights and 1 new integrated circuits layout design.

In the first half of 2025, global market demand for smart cards and secure element chips was weak, with intense competition persisting both domestic and international market, resulting in a significant decline in the selling prices of smart card and secure element chip products. During the period, main products such as security SE chips and bank card chips saw a decrease in sales volume when comparing with the corresponding period of last year due to weak market demand. Due to an increased penetration rate, coupled with an increase in the use of electronic cards, which continuously reduced the need for reissuance and replacement, sales volume of third-generation social security card chips decreased significantly when comparing with the corresponding period of last year. On the other hand, with the gradual rollout of security microcontroller unit chips, sales volume increased significantly when comparing with the corresponding period of last year. Benefiting from a small-scale centralised replacement exercise, sales volume of identity authentication products increased significantly when comparing with the corresponding period of last year. For the six months ended 30 June 2025, the Group's total sales volume was at a level similar to that of the corresponding period of last year.

The Group's revenue for the six months ended 30 June 2025 amounted to HK\$1,112.3 million, representing a decrease of 18.2% when comparing with the corresponding period of last year. The overall gross profit margin for the six months ended 30 June 2025 decreased when comparing with the corresponding period of last year. The decrease in revenue and overall gross profit margin primarily reflects a challenging smart cards and secure element chips market with weak demand, intense industry competition, and continuous decline in product selling prices.

Selling and marketing costs for the six months ended 30 June 2025 amounted to HK\$23.1 million (2024: HK\$26.8 million). The percentage of selling and marketing costs to revenue was 2.1%, at a level similar to that of the corresponding period of last year. During the period, the Group increased its marketing efforts while implementing strict cost control measures.

Administrative expenses for the six months ended 30 June 2025 amounted to HK\$272.2 million, representing an increase of 14.3% when comparing with the corresponding period of last year. The percentage of administrative expenses to revenue increased to 24.5% from 17.5% of the corresponding period of last year. The increase in administrative expenses was mainly due to an increase in research and development costs.

Research and development costs for the six months ended 30 June 2025 amounted to HK\$222.9 million (2024: HK\$183.3 million). The percentage of research and development costs to revenue was 20.0% (2024: 13.5%). Research and development during the period mainly focused on the research and development of security SE chip products and security microcontroller unit chip products, the continuous improvements of the performance of smart card products, the raising of product security certification levels, research in the application of secure element chips for the Internet of Things and Internet of Vehicles sector, as well as the development of application systems and solutions.

OUTLOOK

Looking ahead, global market demand for smart cards and secure element chips will remain in a downward cycle. As domestic industry competition intensifies, selling prices of smart card and security SE chip products will continue to decline. On the other hand, although the growth of the security SE chip business has slowed down due to the weak macroeconomic environment, the range of application for security SE chips will continue to expand with the increasing demand for security in intelligent devices and the ongoing promotion of eSIM applications, which will bring new market opportunities for the Group. In the face of various business challenges, the Group will continue to closely monitor the domestic market demand, seize market opportunities, actively develop potential customers, thereby consolidate its leading position in the sector of smart cards and secure element chips.

DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 30 June 2025 (2024: nil).

FINANCIAL REVIEW

The Group consistently employs a prudent treasury policy and generally finances its working capital requirements through internal resources, and bank and other borrowings. At 30 June 2025, the Group had cash and cash equivalents amounting to HK\$1,027.6 million, of which 94.5% was denominated in Renminbi, 5.0% in United States dollars and 0.5% in Hong Kong dollars (31 December 2024: HK\$743.0 million, of which 93.4% was denominated in Renminbi, 6.3% in United States dollars and 0.3% in Hong Kong dollars).

At 30 June 2025, the Group had bank and other borrowings of HK\$383.8 million, all were due within one year and all were denominated in Renminbi (31 December 2024: HK\$378.0 million, all were due within one year and all were denominated in Renminbi). Among these borrowings, (i) all were unsecured (31 December 2024: all were unsecured), and (ii) all were borrowed at fixed interest rates (31 December 2024: all were borrowed at fixed interest rates). At 30 June 2025, committed borrowing facilities available to the Group but not drawn amounted to HK\$955.5 million.

At 30 June 2025, the Group did not pledge any assets as collateral for its borrowings (31 December 2024: nil).

The Group's revenue is 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 2025, the Group had net current assets of HK\$1,593.9 million (31 December 2024: HK\$1,563.6 million). The gearing ratio of the Group is calculated as net debt divided by total equity and net debt of the Group. At 30 June 2025 and 31 December 2024, the Group was in net cash position.

At 30 June 2025, the Group did not have any material outstanding capital commitment for the acquisition of fixed assets and intangible assets (31 December 2024: nil). The Group did not have any material contingent liability at 30 June 2025 (31 December 2024: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2025, the Group had approximately 450 employees, the majority of whom were based in Mainland China. Employee benefit expenses during the period were HK\$187.6 million.

The Group recognises the importance of high calibre and competent employee and has a strict recruitment policy and performance appraisal scheme. Remuneration policies of employee 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.

The Group's employee training is divided into three levels: corporate level, departmental level and individual level. Corporate level training focuses mainly on cross-departmental and internal all-purpose trainings, such as new employee trainings, and quality and safety requirements trainings. Departmental level training focuses mainly on enhancing knowledge and skills in departmental professional areas. Trainings for individuals act as a useful supplement to the two types of training above.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 JUNE 2025

At 29 August 2025, the Board is not aware of any important event affecting the Group which had occurred since 30 June 2025.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities (including treasury shares) and the Company had not redeemed any of its securities during the six months ended 30 June 2025.

CORPORATE GOVERNANCE CODE

The Company is committed to achieving the best corporate governance practices by emphasising on 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 C1 to the Listing Rules. The Company has complied with all applicable code provisions in the CG Code throughout the six months ended 30 June 2025.

AUDIT COMMITTEE

The audit committee of the Board has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2025.

PUBLICATION OF INTERIM REPORT

The 2025 interim report will be published on the website of the Company (www.cecht.com.cn) and on the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
China Electronics Huada Technology Company Limited
Sun Jie
Chairman

Hong Kong, 29 August 2025

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Sun Jie (Chairman) and Mr. Fu Dan, two Executive Directors, namely Mr. Chang Feng (Deputy Chairman and Managing Director) and Mr. Wang Jian, and four Independent Non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Qiu Hongsheng, Mr. Chow Chan Lum and Ms. Huang Yaping.