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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020,
RESIGNATION AND
APPOINTMENT OF DIRECTOR,
CHANGE OF CHAIRMAN OF THE BOARD,
AND
PROPOSED AMENDMENT TO THE BYE-LAWS**

The board of directors (the “Board”) of China Electronics Huada Technology Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue	1,324,556	1,695,486
Cost of sales	(874,111)	(1,158,987)
Gross profit	450,445	536,499
Other income	36,153	34,910
Selling and marketing costs	(73,895)	(83,154)
Administrative expenses	(319,822)	(345,756)
Impairment losses on trade and other receivables	(11,690)	(7,402)
Operating profit	81,191	135,097
Finance income	6,437	2,074
Finance costs	(100,377)	(103,381)
Finance costs – net	(93,940)	(101,307)
Share of results of associates	91,293	121,000
Loss on disposal of an associate	(1,080,850)	–
(Loss)/profit before taxation	(1,002,306)	154,790
Taxation	(8,818)	2,796
(Loss)/profit for the year	(1,011,124)	157,586

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Cont'd)*

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year attributable to:		
Owners of the Company	(1,013,263)	155,159
Non-controlling interests	2,139	2,427
	<u>(1,011,124)</u>	<u>157,586</u>
Dividend	<u>-</u>	<u>46,687</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic (loss)/earnings per share	<u>(49.92)</u>	<u>7.64</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	(1,011,124)	157,586
Other comprehensive income for the year, net of taxation:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements	146,178	(44,670)
Release of accumulated translation reserves	(1,196)	–
Items that will not be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	(31,567)	–
Total comprehensive income for the year	(897,709)	112,916
Total comprehensive income for the year attributable to:		
Owners of the Company	(901,463)	111,649
Non-controlling interests	3,754	1,267
	(897,709)	112,916

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	43,784	63,153
Right-of-use assets	63,059	52,908
Investment properties	51,494	48,291
Intangible assets	35,849	1,961
Investment in associates	15,936	2,707,889
Trade and other receivables	1,627	–
Deferred tax assets	50,615	42,120
	262,364	2,916,322
Current assets		
Inventories	500,110	460,613
Trade and other receivables	542,355	713,585
Financial assets at fair value through profit or loss	15,403	14,142
Short-term deposits	715,368	450,994
Restricted cash	61,228	–
Cash and cash equivalents	465,411	350,219
	2,299,875	1,989,553
Total assets	2,562,239	4,905,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Cont'd*)

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital and premium	825,454	825,454
Reserves	(651,237)	(750,876)
Retained earnings	914,342	1,962,131
	<u>1,088,559</u>	<u>2,036,709</u>
Non-controlling interests	23,811	20,057
	<u>1,112,370</u>	<u>2,056,766</u>
Liabilities		
Non-current liabilities		
Lease liabilities	37,935	32,180
Trade and other payables	15,936	–
Deferred tax liabilities	12,474	12,923
	<u>66,345</u>	<u>45,103</u>
Current liabilities		
Deferred government grants	58,454	43,667
Contract liabilities	11,760	6,363
Trade and other payables	559,125	537,474
Bank and other borrowings	712,300	2,187,988
Lease liabilities	29,132	21,670
Income tax payable	12,753	6,844
	<u>1,383,524</u>	<u>2,804,006</u>
Total liabilities	<u>1,449,869</u>	<u>2,849,109</u>
Total equity and liabilities	<u>2,562,239</u>	<u>4,905,875</u>

GENERAL INFORMATION

The Company is incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Company has its shares listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The ultimate holding company of the Company is China Electronics Corporation Limited ("CEC"), which is established in the People's Republic of China (the "PRC").

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

BASIS OF PREPARATION

(a) Compliance with HKFRSs, HKASs, Interpretations and Listing Rules

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and certain financial assets at fair value through profit or loss which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs, HKASs and Interpretations requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(b) Significant accounting policies

In the current year, the Group has adopted for the first time of all the new or amended HKFRSs and HKASs, and Interpretations 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 2020. The adoption of these new or amended standards and interpretations had no material effect on the results and financial position of the Group and/or disclosures set out in the consolidated financial statements.

REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of integrated circuit products	<u>1,324,556</u>	<u>1,695,486</u>

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

(b) Operating segments

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 operating segment information is presented.

Revenues of HK\$373,222,000, HK\$225,583,000, HK\$184,946,000 and HK\$138,444,000 (2019: HK\$373,768,000, HK\$344,619,000 and HK\$191,665,000), respectively, derived from 4 (2019: 3) external customers of the Group have exceeded 10% of the revenue of the Group. Save as disclosed herein, no revenue derived from a single external customer has 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.

OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Government grants	21,100	10,179
Fair value gains on financial assets at fair value through profit or loss	332	957
Gains on disposal of financial assets at fair value through profit or loss	–	1,722
Gain on modification of lease	863	–
Gain on disposal of a building in the PRC	–	9,122
Interest income	11,122	9,819
Rental income	2,432	2,434
Others	304	677
	36,153	34,910

EXPENSES BY NATURE

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation expenses	33,451	44,209
Depreciation of right-of-use assets	26,834	21,670
Employee benefit expenses	180,951	160,998
Changes in inventories of finished goods and work in progress	33,900	135,952
Raw materials used and outsourcing expenses	815,599	994,449
Provision for inventories	24,566	28,586
Rental expenses for short-term leases and leases of low-value asset	35	5,623
Auditor's remuneration		
– Audit services	3,007	2,548
– Non-audit services	574	–

Research and development costs for the year ended 31 December 2020 were HK\$211,995,000 (2019: HK\$221,746,000) and mainly comprised of employee costs of HK\$103,627,000 (2019: HK\$111,896,000) and material costs of HK\$52,597,000 (2019: HK\$61,311,000). No research and development costs were capitalised during the year ended 31 December 2020 (2019: nil).

FINANCE COSTS – NET

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs:		
– Interest expense on borrowings	97,590	100,624
– Interest expense on lease liabilities	2,787	2,757
	100,377	103,381
Finance income:		
– Interest income	(6,437)	(2,074)
Finance costs – net	93,940	101,307

TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current taxation		
– PRC corporate income tax	10,291	5,395
– Withholding tax on distributed profits (<i>Note (c)</i>)	<u>5,218</u>	<u>8,523</u>
	<u>15,509</u>	<u>13,918</u>
Deferred taxation		
– PRC corporate income tax	(4,986)	(4,938)
– Withholding tax on undistributed profits (<i>Note (c)</i>)	<u>(1,705)</u>	<u>(11,776)</u>
	<u>(6,691)</u>	<u>(16,714)</u>
	<u><u>8,818</u></u>	<u><u>(2,796)</u></u>

- (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 year ended 31 December 2020 (2019: nil).
- (b) In accordance with the corporate income tax laws of the PRC, the applicable statutory tax rate of CEC Huada Electronic Design Co., Ltd (“Huada Electronics”) and Shanghai Huahong Integrated Circuit Co., Ltd (“Huahong”) is 25%. However, Huada Electronics and Huahong qualified as an “Integrated Circuit Design Enterprises in National Planning Layout” (“ICDE”) for the year ended 31 December 2020 and thus enjoyed a 10% preferential tax rate (2019: 10% preferential tax rate). Based on management’s self-assessment and their track record of success in obtaining such types of qualifications, it is highly likely that Huada Electronics will continue to qualify as an ICDE and Huahong will qualify as a “High and New Technology Enterprise” after the year ended 31 December 2020 and thus will enjoy 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 in the PRC distributes dividends out of the profits earned from 1 January 2008 onwards to its overseas investors, such dividends are subject to withholding tax at a rate of 10%.

- (d) Reconciliation between the taxation on the Group's (loss)/profit before taxation and the theoretical taxation that would arise using the respective applicable statutory tax rates is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit before taxation	(1,002,306)	154,790
Calculated at respective applicable statutory tax rates	4,159	33,529
Effect of tax concession	(18,639)	(36,243)
Research and development costs additional deductions	(13,118)	(14,717)
Income not subject to tax	(431)	(15,973)
Expenses not deductible for taxation purposes	24,105	23,893
Effect of change in tax rate on deferred taxation	(777)	(285)
Withholding tax on distributed profits and current year's undistributed profits	3,513	5,270
Tax losses for which no deferred tax asset was recognised	4,007	1,730
Under provision on taxation in prior years	5,999	–
Taxation	8,818	(2,796)

DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed dividend	–	46,687

The Board does not recommend the payment of a dividend for the year ended 31 December 2020 (2019: HK2.3 cents per share).

(LOSS)/EARNINGS PER SHARE

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

	2020	2019
(Loss)/profit for the year attributable to owners of the Company (<i>HK\$'000</i>)	(1,013,263)	155,159
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	2,029,872,000	2,029,872,000
Basic (loss)/earnings per share (<i>HK cents</i>)	(49.92)	7.64

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

TRADE RECEIVABLES

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. The ageing analysis of the Group's trade receivables (net of loss allowance for impairment) is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 30 days	114,637	307,117
31 – 60 days	71,648	86,898
61 – 180 days	250,734	158,620
Over 180 days and within 1 year	49,245	94,478
Over 1 year	21,652	9,776
	507,916	656,889

TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 30 days	138,695	148,416
31 – 60 days	62,257	38,280
Over 60 days	83,152	125,790
	284,104	312,486

BUSINESS REVIEW

Results overview

Revenue of the Group for the year ended 31 December 2020 amounted to HK\$1,324.6 million, representing a decrease of 21.9% when comparing with last year. Loss attributable to owners of the Company amounted to HK\$1,013.3 million, as compared to a profit of HK\$155.2 million of last year. The loss for the year was primarily attributable to a one-off loss of HK\$1,080.9 million arising from the disposal of 33.67% of the issued share capital of China Electronics Optics Valley Union Holding Company Limited (“CEOVU”). Basic loss per share was HK49.92 cents (2019: basic earnings per share was HK7.64 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, the Group’s products are mainly used in the sector of identity authentication, financial payment, government utilities and telecommunication. For the year ended 31 December 2020, the Group has obtained 19 new patents and registered 15 new integrated circuits layout designs.

The year of 2020 has seen many complex and volatile situations internationally. Demand in the smart cards industry declined due to the impact of the global COVID-19 pandemic. On the other hand, demand for security chips grew steadily, due to the rising demand for information security with the development of the Internet of Things industry.

In 2020, due to the impact of the COVID-19 pandemic, crowd control in medical institutions and restrictions on the resumption of work and production in various industries were implemented during the pandemic, resulting in a plunge in market demand for social security cards. The sales volume of social security card chips decreased significantly when comparing with last year. The sales volume of telecommunication card chips also decreased when comparing with last year as demand in overseas markets declined as a consequence of the pandemic. Despite the slight increase in the sales volume of bank card chips during the year, the rate of growth was visibly slower. Product prices also continued to fall due to intensified competition. The sales volume of identity authentication products remained almost the same as last year. During the year, the Group continued to expand the application of security chips in the Internet of Things industry, and the sales volume of such security chip products increased when comparing with last year. For the year ended 31 December 2020, the Group’s total sales volume decreased by 17.4% when comparing with last year. The Group’s revenue for the year ended 31 December 2020 amounted to HK\$1,324.6 million, representing a decrease of 21.9% when comparing with last year.

In 2020, to manage the impact of the COVID-19 pandemic, the Group adjusted the product mix of its smart card chips business and focused on products with a better gross profit margin, implemented stringent cost control measures, and had successfully offset the impact of the decline in the selling price of some of the smart card chip products on the overall gross profit margin. Overall gross profit margin has increased by 2.4 percentage points to 34.0% for the year ended 31 December 2020.

Selling and marketing costs for the year ended 31 December 2020 amounted to HK\$73.9 million (2019: HK\$83.2 million). The percentage of selling and marketing costs to revenue increased to 5.6% from 4.9% last year. The increase was mainly attributable to the fact that the progress achieved through the continuous implementation of stringent cost control measures by the Group during the year was more than offset by the loss of revenue due to the COVID-19 pandemic.

Administrative expenses for the year ended 31 December 2020 amounted to HK\$319.8 million (2019: HK\$345.8 million). The percentage of administrative expenses to revenue increased to 24.1% from 20.4% last year. The increase was mainly attributable to the fact that the progress achieved through the continuous implementation of stringent cost control measures by the Group during the year was more than offset by the loss of revenue due to the COVID-19 pandemic.

Research and development costs for the year ended 31 December 2020 amounted to HK\$212.0 million (2019: HK\$221.7 million). The percentage of research and development costs to revenue was 16.0% (2019: 13.1%). Research and development of the Group during the year primarily focused on the research and development of security chip products as well as the continuous improvements in smart card product performance, enhancement of product security certification level, research in application of security chips in the Internet of Things sector and the development of application systems and solutions.

Other income

Government grants recognised as income increased by 107.3% to HK\$21.1 million for the year ended 31 December 2020 resulted from more government subsidies received for research and development costs incurred in the year.

Share of result of an associate

CEOVU, an associate of the Group with its shares listed on The Stock Exchange of Hong Kong Limited, is principally engaged in the development of theme industrial parks in the PRC and related businesses. The Group disposed of its entire interest in CEOVU on 27 November 2020. The Group's share of result from CEOVU for the year ended 31 December 2020 was HK\$90.2 million (2019: HK\$120.2 million).

OUTLOOK

Looking ahead, it is expected that the impact of the COVID-19 pandemic on the overall integrated circuits market will be reduced in 2021 with gradual recovery of market demand. The integrated circuits industry in general is expected to maintain stable development, and the domestic integrated circuits design industry and market development will further gain momentum. With the further advancement of the application of domestic integrated circuits and the application of the state cryptographic algorithm, as well as the rapid development of the 5G and Internet of Things market boosting and raising the demand for information security, there will be market opportunities for the Group's business. Due to the tight production capacity of semiconductors around the world, it is expected that safeguarding production capacities will become a challenge for the Group's operation. In the face of both opportunities and challenges, the Group will continue to closely monitor domestic market demand, further strengthen close cooperation with suppliers, seize market opportunities and actively engage potential customers to ensure its leading position in the smart card chips sector.

On the other hand, leveraging on security chips design and application technologies accumulated over the years, the Group will continue to strengthen product development in security chips for the Internet of Things sector, and promote products application in the industry with a market-oriented approach. The Group will continue to build up its core competitiveness in the Internet of Things market by increasing its expansion in industries such as Internet of Vehicles, smart cities and smart home as well as maintaining its market leadership in innovation and products.

FINANCIAL RESOURCES AND LIQUIDITY

The Group consistently employs a prudent treasury policy and generally finances its working capital and funding requirements through internal resources, and bank and other borrowings. At 31 December 2020, the Group had cash and cash equivalents amounted to HK\$465.4 million, of which 95.3% was denominated in Renminbi, 2.9% in Hong Kong dollars and 1.8% in United States dollars (2019: HK\$350.2 million, of which 97.0% was denominated in Renminbi, 2.3% in United States dollars and 0.7% in Hong Kong dollars).

At 31 December 2020, the Group had bank and other borrowings of HK\$712.3 million, all have a maturity period of within one year, and all were denominated in Renminbi (2019: HK\$2,188.0 million, all have a maturity period of within one year, and all were denominated in Renminbi). Among these borrowings, (i) HK\$58.8 million were secured by deposits of the Group and HK\$653.5 million were unsecured (2019: all were unsecured), and (ii) all were borrowed at fixed interest rates (2019: all were borrowed at fixed interest rates). At 31 December 2020, committed borrowing facilities available to the Group but not drawn amounted to HK\$950.1 million.

The Group's revenue are mainly denominated in Renminbi and payments are denominated in Renminbi and Hong Kong dollars. The Group will make use of hedging contracts, when appropriate, to hedge the risk of foreign exchange fluctuation arising from its operations.

At 31 December 2020, the Group had net current assets of HK\$916.4 million (2019: net current liabilities of HK\$814.5 million). At 31 December 2020, the Group was in net cash position. The gearing ratio at 31 December 2019, which is calculated as net debt divided by total equity and net debt of the Group, was 41.2%.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2020, the Group did not have any material outstanding capital commitment (2019: nil) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liability at 31 December 2020 (2019: nil).

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2020, the Group had approximately 380 employees, the majority of whom were based in the PRC. Employee benefit expenses for the year were HK\$181.0 million.

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

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

AUDIT COMMITTEE

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020, except for the following deviation:

Due to an unexpected crucial business engagement, the Chairman of the Board, Mr. Dong Haoran, did not attend the annual general meeting of the Company held on 29 June 2020 (the "AGM"). The Chairman of the Board is aware that his absence constituted a deviation from the code provision E.1.2 of the CG Code which stipulates that the chairman of the board should attend the annual general meeting of the company. However, chairman of the audit committee Mr. Chan Kay Cheung, upon the request of the Chairman of the Board, chaired the AGM in his stead. The deputy Chairman of the Board, all members of the audit committee, all members of the remuneration and nomination committee and the managing director attended the AGM and were available to answer questions at the AGM, so effective communication with shareholders was ensured.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income, audited consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

PUBLICATION OF ANNUAL REPORT

The 2020 annual 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.

RESIGNATION OF DIRECTOR

The Board announces that Mr. Dong Haoran (“Mr. Dong”) has resigned from his positions as a non-executive director of the Company and the Chairman of the Board with effect from 1 April 2021. Mr. Dong has resigned due to change of work arrangement. Mr. Dong has confirmed that there is no disagreement with the Board, and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company. The Board would like to express its sincere gratitude to Mr. Dong for his invaluable contribution to the Company during his tenure of service.

APPOINTMENT OF DIRECTOR

The Board announces that Mr. Xu Haidong (“Mr. Xu”) has been appointed as a non-executive director of the Company and the Chairman of the Board with effect from 1 April 2021.

Mr. Xu, aged 50, graduated from Jiangxi University of Finance and Economics and holds a Master's degree in Accounting, obtained a Doctorate degree in Accounting from School of Management at Jinan University, and is a senior economist. Mr. Xu is the chief accountant of Huada Semiconductor Co., Ltd (“Huada Semiconductor”), a controlling shareholder of the Company. Mr. Xu was the deputy section manager of the supervision section 2 of Zhuhai Central Sub-branch of the People's Bank of China, the controller of corporate financial of State-owned Assets Management Administration of Zhuhai City, the deputy general manager of China Electronics Financial Co., Ltd, the deputy director of the finance department of CEC, and the financial controller of China Greatwall Technology Group Co., Ltd (a company with its shares listing on the Shenzhen Stock Exchange). Save as disclosed herein, Mr. Xu has not held any directorship in any listed public company in the past three years.

Mr. Xu has not entered into any service contract with the Company which provides for a specified length of service. Mr. Xu will be subject to retirement by rotation and re-election under the bye-laws of the Company (the “Bye-laws”) and the Listing Rules. Mr. Xu will not receive any remuneration from the Company and its subsidiaries. Mr. Xu will be entitled to a discretionary bonus, as determined with reference to his duties and to the prevailing market conditions.

Save as disclosed herein, Mr. Xu does not have any relationship with any director, senior management, substantial or controlling shareholders of the Company. As of the date of this announcement, Mr. Xu does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed herein, there is no other matter relating to the appointment of Mr. Xu that needs to be brought to the attention of the shareholders of the Company, nor is there any other information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

PROPOSED AMENDMENT TO THE BYE-LAWS

Existing Bye-law 138 does not reflect certain amendments to the Companies Act 1981 of Bermuda (the “Bermuda Companies Act”) made since the adoption of the Bye-laws. As such, to facilitate the payment of dividends and/or distributions by the Company in the future, a special resolution will be proposed at the forthcoming annual general meeting to seek the approval of the shareholders of the Company for amending the existing Bye-law 138 to match the current provisions of section 54 of the Bermuda Companies Act.

Details of the proposed amendment to the Bye-laws are set out below:

Existing Bye-law 138	Bye-law 138 after the proposed amendment
No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realizable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.	No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realizable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.

A circular containing, among other information, details of the proposed amendment to the Bye-laws, together with a notice of the forthcoming annual general meeting will be despatched to the shareholders of the Company as soon as practicable.

By Order of the Board
China Electronics Huada Technology Company Limited
Dong Haoran
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises two Non-executive Directors, namely Mr. Dong Haoran (Chairman) and Ms. Liu Jinmei, two Executive Directors, namely Mr. Yu Jian (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.