Eternity Technology Holdings Limited
恒達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1725)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of Eternity Technology Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Period was approximately RMB271.9 million, representing a slight increase of approximately 2.7% as compared with approximately RMB264.7 million for the corresponding period in 2018.

- Gross profit of the Group for the Review Period was approximately RMB34.1 million, representing a decrease of approximately 16.7% as compared with approximately RMB41.0 million for the corresponding period in 2018.

- Profit attributable to equity holders of the Company for the Review Period was approximately RMB17.9 million, represented an increase of approximately 2.8% as compared with approximately RMB17.4 million for the corresponding period in 2018 and represented a decrease of approximately 27.3% as compared with the Group's adjusted profit of approximately RMB24.6 million (which excluded the listing expenses of approximately RMB7.2 million) for the corresponding period in 2018.

- Basic and diluted earnings per share attributable to equity holders of the Company is RMB5.97 cents for the Review Period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		Unaudited six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
Revenue	4	**271,912**	264,737
Cost of sales	5	**(237,817)**	(223,784)
Gross profit		**34,095**	40,953
Other income		**3,162**	2,308
Selling and distribution expenses	5	**(7,126)**	(6,181)
Administrative expenses	5	**(8,437)**	(14,836)
Other gains/(losses), net		**281**	(137)
Operating profit		**21,975**	22,107
Finance income		**197**	45
Finance costs		**(630)**	(407)
Finance costs, net		**(433)**	(362)
Profit before income tax		**21,542**	21,745
Income tax expense	6	**(3,639)**	(4,331)
Profit for the period attributable to equity holders of the Company		**17,903**	17,414
Earnings per share attributable to equity holders of the Company			
Basic and diluted	7	**RMB5.97 cents**	RMB7.74 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**17,903**	17,414
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**86**	88
Total comprehensive income for the period attributable to equity holders of the Company	**17,989**	17,502

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment		**54,415**	51,247
Intangible assets		**1,361**	1,618
Prepayments and deposits	9	**14,178**	456
Deferred income tax assets		**1,602**	501
		71,556	53,822
Current assets			
Inventories		**59,356**	48,714
Contract assets	10	**6,222**	10,699
Trade and bills receivables	10	**124,704**	111,955
Prepayments, deposits and other receivables	9	**14,494**	10,466
Pledged bank deposits		**11,233**	3,300
Bank deposits with initial terms of over three months		**56**	—
Cash and cash equivalents		**150,500**	137,678
		366,565	322,812
Total assets		**438,121**	376,634
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**2,619**	2,619
Share premium		**110,868**	110,868
Retained earnings		**89,594**	73,656
Reserves		**23,993**	22,148
Total equity		**227,074**	209,291

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2019

	Note	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,729**	—
Deferred government grants		**1,396**	—
		3,125	—
Current liabilities			
Trade and bills payables	11	**133,659**	107,624
Other payables and accruals	12	**20,722**	22,070
Finance lease liability		**—**	10,966
Lease liabilities		**11,801**	—
Contract liabilities	12	**15,990**	18,614
Bank borrowings		**17,302**	2,200
Current income tax liabilities		**8,448**	5,869
		207,922	167,343
Total liabilities		**211,047**	167,343
Total equity and liabilities		**438,121**	376,634

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Eternity Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the business of electronics manufacturing services. The ultimate holding company of the Company is Rich Blessing Group Limited ("**Rich Blessing**"), a company incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Ma Fujun ("**Mr. Ma**").

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 August 2018.

This condensed consolidated interim financial information ("**interim financial information**") is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. This interim financial information was approved for issue on 29 August 2019.

This interim financial information has been reviewed, not audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial information for the six months ended 30 June 2019 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 ("**HKICPA**").

The interim financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**").

(b) New and amended standards and interpretation adopted by the Group

The HKICPA has issued the following new and amended standards and interpretations that are first effective for the current accounting period and relevant to the Group:

(a) HKFRS 16 "Leases"

(b) Annual improvements 2015-2017 Cycle

(c) HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

(d) Prepayment Features with Negative Compensation – Amendments to HKFRS 9

(e) Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28, and

(f) Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19.

The impact of adoption of HKFRS 16 is disclosed in Note 3 below. The other amended standards and interpretation did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

(c) New and amended standards issued but not yet adopted by the Group

The followings are new standards and amendments which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards and amendments when they become effective:

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021

The Group has not early adopted the above new standards and amendments and is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and financial statements.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's interim financial information and discloses the new accounting policies that have been applied from 1 January 2019 in Note 3(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.85%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	7,174
Discounted using the lessee's incremental borrowing rate at the date of initial application	6,674
Add: finance lease liability recognised as at 31 December 2018	10,966
(Less): short-term leases recognised on a straight-line basis as expense	(970)
Lease liabilities recognised as at 1 January 2019	16,670
Of which are:	
Current lease liabilities	13,578
Non-current lease liabilities	3,092
	16,670

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The carrying amount of right-of-use assets by class of underlying asset are as below:

	Unaudited 30 June 2019 RMB'000	Unaudited 1 January 2019 RMB'000
Properties	**4,170**	5,462
Equipment	**12,063**	12,699
Total right-of-use assets	**16,233**	18,161

The change in accounting policy affected the following items in the condensed consolidated balance sheet on 1 January 2019:

	As previously reported under HKAS 17 RMB'000 (a)	**Impact of the adoption of HKFRS 16 RMB'000 (b)**	**As restated under HKFRS 16 RMB'000 (a)+(b)**
Property, plant and equipment	51,247	5,462	56,709
Deferred income tax assets	501	36	537
Others	324,886	—	324,886
Total assets	376,634	5,498	382,132
Finance lease liability	10,966	(10,966)	—
Lease liabilities	—	16,670	16,670
Others	156,377	—	156,377
Total liabilities	167,343	5,704	173,047
Retained earnings	73,656	(206)	73,450
Reserves	22,148	—	22,148
Others	113,487	—	113,487
Total equity	209,291	(206)	209,085

(i) Impact on earnings per share

The adoption of HKFRS 16 did not have significant impact on earnings per share for the six months ended 30 June 2019.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the use of hindsight in determining the lease term where the contract contains options to terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, production plant and equipment. Rental contracts are typically made for fixed periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date of the lease to the end of the useful life of the underlying assets. Otherwise, right-of-use assets are depreciated over the shorter of the assets' useful lives and their lease terms on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

Termination options

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options are exercisable only by the Group as leasee and not by the respective lessor.

Judgements in determining the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement taking into account the nature of the underlying assets and the terms and conditions of the leases at the commencement date.

4. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the business of electronics manufacturing services.

The chief operating decision-maker has been identified as the Directors of the Company. The Directors review the Group's internal reporting in order to assess performance and allocate resources. The Directors have determined the operating segment based on these reports.

The Directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being electronics manufacturing services.

The Directors assess the performance of the operating segment based on a measure of revenue and gross profit.

(a) Disaggregation of revenue from contracts with customers

The Group derived revenue from sales of goods at a point in time and provision of services over time as follow:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Time of revenue recognition		
At a point in time - sales of goods	**225,337**	264,737
Over time - provision of services	**46,575**	—
	271,912	264,737

(b) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
The PRC	**235,676**	223,987
Brazil	**17,770**	—
Mexico	**12,534**	30,436
Others (Note)	**5,932**	10,314
	271,912	264,737

Note:

Others include Hong Kong, South Korea, Taiwan, Spain, the United States of America and Austria.

(c) Non-current assets by geographical location

As at 30 June 2019 and 31 December 2018, all of the Group's non-current assets other than deferred income tax assets and intangible assets were located in the PRC.

5. EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of raw materials used	**203,730**	188,316
Consumables	**1,765**	1,601
Subcontracting charges	**10,331**	13,167
Employee benefit expenses and manpower service expenses, including Directors' emoluments	**20,605**	16,346
Rental expenses of short-term leases in respect of machinery	**1,918**	—
Operating lease rentals in respect of:		
– machinery	**—**	5,019
– offices, warehouses, production plant and staff quarters	**—**	1,569
Utilities	**1,704**	1,451
Depreciation	**4,602**	840
Amortisation	**257**	207
Listing expenses	**—**	7,173
Professional fees	**2,424**	904
Office expenses	**233**	526
(Reversal of)/provision for inventories	**(2,010)**	150
Other tax and surcharges	**240**	504
Transportation	**2,110**	2,060
Service fees for product development	**1,496**	1,663
Commission expenses	**518**	458
Repair and maintenance	**193**	740
Others	**3,264**	2,107
Total cost of sales, selling and distribution expenses and administrative expenses	**253,380**	244,801

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit (2018: 16.5%).

During the six months ended 30 June 2018, the Group's subsidiary in the PRC has qualified for high and new technology enterprise status and is therefore subject to PRC corporate income tax ("CIT") at a preferential income tax rate of 15%.

During the six months ended 30 June 2019, the Group's subsidiary in the PRC is subject to PRC CIT at a standard tax rate of 25%.

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– PRC CIT	**4,357**	2,803
– Hong Kong profits tax	**347**	1,346
	4,704	4,149
Deferred income tax	**(1,065)**	182
Income tax expense	**3,639**	4,331

7. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2018. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares which took place on 25 July 2018.

	Unaudited six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**17,903**	17,414
Weighted average number of ordinary shares in issue (thousands of shares)	**300,000**	225,000
Basic and diluted earnings per share (RMB cents)	**5.97**	7.74

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2019 and 2018.

8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2019 and 2018.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Current portion		
Prepayments	**14,180**	9,472
Deposits (Note a)	**64**	64
Other receivables (Notes a and b)	**250**	930
	14,494	10,466
Non-current portion		
Deposits (Note a)	**456**	456
Deposits paid for the acquisition of land use rights (Note a)	**8,049**	—
Prepayments for the acquisition of properties, plant and equipment	**5,673**	—
	14,178	456
	28,672	10,922

Notes:

(a) As at 30 June 2019 and 31 December 2018, the carrying amounts of deposits and other receivables approximated their fair values.

(b) The amounts were unsecured, interest free and repayable on demand.

10. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Contract assets	**6,222**	10,699
Trade receivables	**114,027**	78,545
Bills receivables	**10,677**	33,410
Trade and bills receivables	**124,704**	111,955
Contract assets, trade and bills receivables	**130,926**	122,654

Contract assets represent the Group's rights to consideration for work completed but unbilled for its services. The contract assets are transferred to trade receivables when the rights become unconditional which generally takes one to three months. The balances of contract assets as at 30 June 2019 and 31 December 2018 represented the amounts of services that were completed but unbilled before the period/year-end.

As at 30 June 2019 and 31 December 2018, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

The Group's sales are on credit terms primarily from 30 to 120 days.

As at 30 June 2019 and 31 December 2018, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
1 to 3 months	**119,481**	106,981
Over 3 months	**5,223**	4,974
	124,704	111,955

11. TRADE AND BILLS PAYABLES

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Trade payables	**109,395**	107,624
Bills payables	**24,264**	—
Trade and bills payables	**133,659**	107,624

As at 30 June 2019 and 31 December 2018, the aging analysis of trade and bills payables, based on invoice date, was as follows:

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Within 1 month	**58,773**	61,137
1 to 2 months	**16,737**	21,656
2 to 3 months	**36,924**	10,780
Over 3 months	**21,225**	14,051
	133,659	107,624

As at 30 June 2019 and 31 December 2018, the carrying amounts of trade and bills payables approximated their fair values.

12. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Other payables	**4,593**	6,749
Other tax payables	**3,949**	1,892
Accruals	**12,180**	13,429
Contract liabilities	**15,990**	18,614
	36,712	40,684

As at 30 June 2019 and 31 December 2018, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was incorporated in the Cayman Islands on 15 March 2017, and the Group is principally engaged in the business of electronics manufacturing services ("**EMS**") which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of printed circuit board assemblies (the "**PCBA**") and fully-assembled electronic products.

During the Review Period, trade fictions between the United States of America and China have became more and more intense, bringing uncertainties to the future development of the world economy, and slowing down the economic growth of both China and the world. The continuous growth in the EMS industry has also slowed down. During the Review Period, a turnover of approximately RMB271.9 million was recorded by the Group for the Review Period, representing a slight increase of approximately 2.7% as compared with that in the corresponding period in 2018. The slight increase in revenue was attributed by: (i) the revenue derived from PCBAs increased by approximately 53.2%, particularly revenue from banking and finance PCBAs increased by approximately 122.6% from approximately RMB21.1 million in the corresponding period in 2018 to approximately RMB46.9 million in the Review Period as a result of the popularity of the banking and finance dervice; (ii) the revenue derived from fully-assembled electronic products decreased by approximately 10.7%, particularly revenue from tablets decreased by approximately 58.8% in the Review Period compared with that in the corresponding period in 2018 as a result of the decreased orders of tablets triggered by the decreasing demand of the tablets market.

Business Strategies

Looking forward to the second half of 2019, the market economy environment remains uncertain but the Group will strive to sustain long-term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities by implementing the following business strategies:

– Continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance our production efficiency;

– Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base.

OPERATING RESULTS

Revenue by Customers' Geographical Location

The Group's revenue by customers' geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
The PRC	**235,676**	223,987
Brazil	**17,770**	—
Mexico	**12,534**	30,436
Others (Note)	**5,932**	10,314
	271,912	264,737

Note:

Others include Hong Kong, South Korea, Taiwan, Spain, the United States of America and Austria.

Revenue by Product Type

During the Review Period and the corresponding period in 2018, our revenue was generated by our two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Review Period and the corresponding period in 2018 respectively:

	Revenue for the six months ended 30 June			**% of total revenue for the six months ended 30 June**		
	2019	2018	Change	**2019**	2018	Change
	RMB'000	RMB'000	%			
PCBAs	**84,962**	55,465	53.2	**31.2**	21.0	10.2
Fully-assembled electronic products	**186,950**	209,272	(10.7)	**68.8**	79.0	(10.2)
Total	**271,912**	264,737	2.7	**100.0**	100.0	

PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our revenue generated from the sales of PCBAs increased by approximately 53.2% from approximately RMB55.5 million for the corresponding period in 2018 to approximately RMB85.0 million for the Review Period, primarily due to the increase in demand on the PCBAs for banking and finance and smart device.

Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with the PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS, photovoltaic inverters and tablets, are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from the sales of fully-assembled electronic products decreased by approximately 10.7% from approximately RMB209.3 million for the corresponding period in 2018 to approximately RMB187.0 million for the Review Period, primarily due to a decrease in purchase orders of the tablets triggered by the decreasing demand of tablets market.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Review Period was approximately RMB34.1 million, representing a decrease of approximately RMB6.9 million or 16.7% as compared with approximately RMB41.0 million for the corresponding period in 2018. Overall gross profit margin decreased from 15.5% for the corresponding period in 2018 to 12.5% for the Review Period.

	Gross profit for the six months ended 30 June			**Gross profit margin for the six months ended 30 June**		
	2019	2018	Change	**2019**	2018	Change
	RMB'000	RMB'000	%	**%**	%	
PCBAs	**13,441**	9,511	41.3	**15.8**	17.1	(1.3)
Fully-assembled electronic products	**20,654**	31,442	(34.3)	**11.0**	15.0	(4.0)
Total	**34,095**	40,953	(16.7)	**12.5**	15.5	(3.0)

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 41.3% to approximately RMB13.4 million for the Review Period (six months ended 30 June 2018: approximately RMB9.5 million). The gross profit margin decreased to approximately 15.8% for the Review Period (six months ended 30 June 2018: approximately 17.1%), which primarily resulted from the increase in the labor cost and increase in depreciation expenses as a result of addition of machinery at the end of 2018.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 34.3% to approximately RMB20.7 million for the Review Period (six months ended 30 June 2018: approximately RMB31.4 million). The gross profit margin decreased to approximately 11.0% for the Review Period (six months ended 30 June 2018: approximately 15.0%), which was mainly due to: (i) the decrease in the gross profit margin of mPOS as we offered a more competitive price to our customers than that of 2018 due to fierce competition and the slowing down economic in China; and (ii) the increase in the labor cost and increase in depreciation expense as a result of addition of machinery at the end of 2018.

Other Income

Other income of the Group for the Review Period of approximately RMB3.2 million comprises discretionary government grants received by the Group (six months ended 30 June 2018: approximately RMB2.3 million).

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our sales staff; (ii) transportation charges; (iii) sales commission paid to our sales agent in respect of customer introduction; and (iv) other expenses. For the Review Period, selling and distribution expenses amounted to approximately RMB7.1 million (six months ended 30 June 2018: approximately RMB6.2 million), representing an increase of approximately 15.3% as compared to that in the corresponding period of 2018. Selling and distribution expense ratio remained stable at approximately 2.6% and 2.3% against revenue for the Review Period and the corresponding period in 2018, respectively.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff; and (ii) professional fees. For the Review Period, administrative expenses amounted to approximately RMB8.4 million (six months ended 30 June 2018: approximately RMB14.8 million), representing a decrease of approximately 43.1% as compared to that in the corresponding period of 2018. The decrease was mainly due to the decrease in the listing expenses by approximately RMB7.2 million for listing of the Company in August 2018.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB158.6 million as at 30 June 2019 (31 December 2018: approximately RMB155.5 million). The current ratio of the Group decreased from approximately 1.9 as at 31 December 2018 to 1.8 as at 30 June 2019.

Borrowings and the Pledge of Assets

The borrowings of the Group amounted to approximately RMB17.3 million as at 30 June 2019 (31 December 2018: approximately RMB13.2 million). As at 31 December 2018 and 30 June 2019, the borrowings were secured by properties, plant and equipment, a pledged bank deposit, and a corporate guarantee from the Company and a subsidiary of our Company.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings, divided by total equity, was approximately 7.6% and 6.3% as at 30 June 2019 and 31 December 2018 respectively. During the Review Period, we have increased our bank borrowings by approximately RMB15.1 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations.

Capital Structure

The Shares were listed on the Stock Exchange on 16 August 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Company since then. The capital of the Company comprises ordinary shares and other reserves.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in Renminbi ("**RMB**"), Hong Kong dollar ("**HK$**") and the United States dollar ("**US$**"), and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than US$, HK$ or RMB. During the Review Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB2.3 million (six months ended 30 June 2018: approximately RMB4.7 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2019, the Group had 594 employees with a total remuneration of approximately RMB20.6 million during the Review Period (six months ended 30 June 2018: approximately RMB16.3 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

SIGNIFICANT INVESTMENTS HELD

During the Review Period, the Group did not have any significant investments.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer made pursuant to the Prospectus (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK$96.7 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to the date of this announcement, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	**Use of proceeds as stated in the Prospectus and adjusted for the actual net roceeds**	**Actual use of proceeds from the Listing Date to the date of this announcement**
	(HK$ million)	(HK$ million)
Expand our production capacity and enhance our production efficiency	64.7	41.7
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	—
Further strengthen our research and development capabilities	4.5	1.9
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.3
General working capital of our Group	6.7	2.8
	96.7	46.7

The unutilised net proceeds have been placed with licensed banks in Hong Kong and PRC as interest-bearing deposits in accordance with the intention of the Board as disclosed in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and future plans as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholders' value.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2019 (31 December 2018: Nil).

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 25 July 2018 (the "**Share Option Scheme**"), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants (as defined in the Prospectus) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 30,000,000 shares) unless approved by the shareholders of the Company. Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted under the Share Option Scheme up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Review Period.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 25 July 2018 with terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 (the "**Code**") to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control and risk management procedures of our Group. The Audit Committee now comprises three members, all being Independent Non-executive directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting.

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated interim financial information of the Group for the Review Period.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Review Period 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.

CORPORATE GOVERNANCE PRACTICES

For the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules except CG Code provision A.2.1.

Pursuant to CG Code provision A.2.1, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Ma, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Ma's experience and established market reputation in the industry, and the importance of Mr. Ma in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three Independent Non-executive directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code during Review Period.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2018: Nil).

EVENTS AFTER REPORTING PERIOD

On 22 July 2019, the Group has won the bid for the auction for the land use rights of a piece of land located at Huizhou, the PRC, for a total consideration of RMB26,830,000. Details of the acquisition of the land use right are set out in the announcement published by the Company on 22 July 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.szeternity.com). The interim report of the Company for the six months ended 30 June 2019 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Eternity Technology Holdings Limited
Ma Fujun
Chairman and Executive Director

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises the following members:

Executive Directors

Mr. Ma Fujun *(Chairman)*
Ms. Chen Xiaoyuan
Mr. Cheng Bin

Independent Non-executive Directors

Mr. Wu Chi-luen
Mr. Chan Chung Kik Lewis
Mr. Chow Kit Ting