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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)

PROFIT WARNING

This announcement is made by Eternity Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on a preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 (the “**Reporting Period**”), the Group’s net profit is expected to decline by approximately 30% to 40% as compared with the Group’s net profit of approximately RMB25.5 million for the corresponding period in 2019. The decrease in net profit was mainly resulted from the decrease in gross profit margin by approximately 1.5% to 3.0% as compared with the corresponding period in 2019, the increase in administration expenses for the subsidiaries newly incorporated for the Reporting Period and professional fees incurred for the application of government grants, and the net impairment losses on financial assets amounting to approximately RMB5.1 million made against contract assets, trade and bills receivables, which were partially offset by the increase in revenue of approximately 0.3% and the increase in government grants of approximately RMB8.8 million.

The decrease in gross profit margin was mainly due to the following reasons:

- (i) the temporary suspension of the operation of the Group’s production plant in Shenzhen and the lockdown measures imposed by the governments of the PRC amid outbreak of the novel coronavirus disease (COVID-19) in the first quarter, while certain operating costs of the Group remain fixed;
- (ii) The price of raw materials was increasing since the outbreak of the novel coronavirus disease (COVID-19);

- (iii) The increased rental expenses of the equipment and outsourcing fees incurred to meet the orders delayed in the first quarter of the customers after the resumption of our production plant; and
- (iv) We offered a more competitive price to some of our customers due to fierce competition and the deteriorated business and economic environment for the Reporting Period.

The information contained in this announcement is only based on a preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the year ended 31 December 2020 and information currently available to the Company, and is not based on any figures or information which have been reviewed or audited by the Company's independent auditor or have been confirmed by the audit committee of the Company and are subject to adjustments. The Company is in the process of finalising the final results of the Group for the year ended 31 December 2020. Shareholders and potential investors are advised to read carefully the final results announcement of the Company for the year ended 31 December 2020, which is expected to be published by the end of March 2021 in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 26 February 2021

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