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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (“**Directors**”) of Eternity Technology Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period was approximately RMB547.8million, representing a slightly increase of approximately 0.3% as compared with those for the corresponding period in 2019.
- Gross profit of the Group for the Reporting Period was approximately RMB49.6 million, representing a decrease of approximately 18.0% as compared with RMB60.5 million for the corresponding period in 2019.
- Profit attributable to equity holders of the Company for the Reporting Period was approximately RMB17.3 million, representing a decrease of approximately 32.0% as compared with RMB25.5 million for the corresponding period in 2019.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company was RMB5.77 cents for the Reporting Period.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020	2019
		RMB'000	RMB'000
Revenue	3	547,825	546,325
Cost of sales	4	(498,231)	(485,846)
Gross profit		49,594	60,479
Other income	5	12,555	3,797
Other (losses)/gains, net	6	(394)	166
Selling and distribution expenses	4	(13,228)	(15,024)
Administrative expenses	4	(22,960)	(18,568)
Net impairment losses on financial assets	4	(5,122)	(595)
Operating profit		20,445	30,255
Finance income		560	374
Finance costs		(678)	(1,442)
Finance costs, net	7	(118)	(1,068)
Profit before income tax		20,327	29,187
Income tax expense	8	(3,004)	(3,730)
Profit for the year attributable to equity holders of the Company		17,323	25,457
Earnings per share attributable to equity holders of the Company			
		RMB	RMB
Basic and diluted	9	5.77 cents	8.49 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	RMB'000	RMB'000
Profit for the year	17,323	25,457
Other comprehensive (loss)/income:		
<i>Item that will not be reclassified to profit or loss</i>		
Currency translation differences	(3,646)	1,323
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	432	316
Total comprehensive income for the year attributable to equity holders of the Company	14,109	27,096

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	10(a)	121,780	78,571
Intangible assets		1,283	1,735
Prepayments and deposits	11	15,845	1,329
Restricted cash		—	2,683
Deferred income tax assets		1,392	591
		<u>140,300</u>	<u>84,909</u>
Current assets			
Inventories	12	80,528	52,527
Contract assets	13	5,517	7,559
Trade and bills receivables	13	106,606	153,801
Prepayments, deposits and other receivables	11	29,718	21,031
Derivative financial instruments		399	—
Restricted cash		—	182
Pledged bank deposits		33,699	7,500
Short-term bank deposits		92	9,184
Cash and cash equivalents		178,904	107,856
		<u>435,463</u>	<u>359,640</u>
Total assets		<u><u>575,763</u></u>	<u><u>444,549</u></u>
Equity			
Equity attributable to equity holders of the company			
Share capital		2,619	2,619
Share premium		110,868	110,868
Retained earnings		110,497	96,010
Reserves		26,306	26,684
Total equity		<u><u>250,290</u></u>	<u><u>236,181</u></u>

	Note	2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Deferred government grants		10,980	1,285
Lease liabilities	10(b)	107	593
Bank borrowings		20,943	—
		<u>32,030</u>	<u>1,878</u>
Current liabilities			
Trade and bills payables	14	196,412	127,501
Other payables and accruals	15	45,664	30,892
Lease liabilities	10(b)	5,855	10,051
Contract liabilities	15	33,248	15,679
Bank borrowings		5,799	16,422
Current income tax liabilities		6,465	5,945
		<u>293,443</u>	<u>206,490</u>
Total liabilities		<u>325,473</u>	<u>208,368</u>
Total equity and liabilities		<u>575,763</u>	<u>444,549</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 the Group is principally engaged in the business of electronics manufacturing services. The ultimate holding company of the Company is Rich Blessing Group Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder 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 (the “Listing”) on 16 August 2018.

These consolidated financial statements are presented in unit of Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors on 19 March 2021.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost convention as modified by the revaluation of derivative financial instruments.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amended standards and adopted by the Group

The Group has adopted the following amended standards for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

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

The following new and amended standards have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group will adopt the above new or revised standards or amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to existing HKFRSs.

3. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in the manufacturing of electronic components.

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.

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 the sales of goods at a point in time and provision of services over time as follow:

	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time - sales of goods	489,469	458,942
Over time - provision of services	58,356	87,383
	<u>547,825</u>	<u>546,325</u>

(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:

	2020	2019
	RMB'000	RMB'000
The PRC	439,782	452,170
USA	26,997	10
India	25,075	14,313
South Korea	22,698	15,513
Austria	14,810	12,422
Hong Kong	8,655	11,648
Brazil	517	23,316
Others (Note)	9,291	16,933
	<u>547,825</u>	<u>546,325</u>

Note: Others include Taiwan, United Kingdom, Mexico and Australia.

(c) Details of contract liabilities

	2020	2019
	RMB'000	RMB'000
Contract liabilities (Note 15)	<u>33,248</u>	<u>15,679</u>

Notes:

- (i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. The balances of contract liabilities fluctuated during the years ended 31 December 2020 and 2019 due to fluctuation in sales order with advanced payments.

- (ii) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>11,328</u>	<u>18,614</u>

(d) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	2020	2019
	RMB'000	RMB'000
Customer A	239,508	270,367
Customer B	62,345	N/A [#]
Customer C	<u>54,987</u>	<u>84,838</u>

[#] The corresponding customers did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

The five largest customers accounted for approximately 76% (2019: 78%) of revenue for the year ended 31 December 2020.

(e) Unsatisfied performance obligations

As at 31 December 2020 and 2019, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(f) Non-current assets by geographical location

The total amounts of non-current assets, other than financial instruments and deferred tax assets of the Group as at 31 December 2020 and 2019 are located in the following regions:

	2020	2019
	RMB'000	RMB'000
The PRC	130,424	83,797
Germany	201	—
	<u>130,625</u>	<u>83,797</u>

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets are analysed as follows:

	2020	2019
	RMB'000	RMB'000
Cost of raw materials used	384,746	397,873
Consumables	3,887	1,871
Subcontracting charges	47,222	26,553
Employee benefit expenses and manpower services expenses, including Directors' emoluments	48,527	52,690
Rental expenses of short-term leases in respect of machinery and properties (Note 10 (b))	8,095	5,497
Utilities	3,816	3,950
Amortisation	581	535
Depreciation	12,308	9,479
Auditor's remuneration		
– Audit services	1,707	1,555
– Non-audit services	—	—
Professional fees	5,242	2,854
Reversal of provision for inventories (Note 12)	(174)	(339)
Transportation	3,691	4,581
Service fees for product development	3,711	2,094
Commission expenses	895	1,216
Repairs and maintenance	810	1,068
Provision for impairment of financial assets (Note 13)	5,242	595
Reversal of provision for impairment of financial assets (Note 13)	(120)	—
Others	9,355	7,961
	<hr/>	<hr/>
Total cost of sales, selling and distribution, administrative expenses and net impairment losses on financial assets	539,541	520,033
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Government grants	<u>12,555</u>	<u>3,797</u>

6. OTHER (LOSSES)/GAINS, NET

	2020	2019
	RMB'000	RMB'000
Exchange differences	(1,214)	(152)
Gain on disposal of properties, plant and equipment	421	318
Unrealised gains from derivative financial instruments	<u>399</u>	<u>—</u>
	<u>(394)</u>	<u>166</u>

7. FINANCE COSTS, NET

	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income on cash at bank	<u>560</u>	<u>374</u>
Finance costs		
Interest expense on bank borrowings	(560)	(617)
Interest expense on leases (Note 10 (b))	(433)	(630)
Bank charges	(245)	(195)
Less: Capitalised on qualifying assets (Note)	<u>560</u>	<u>—</u>
	<u>(678)</u>	<u>(1,442)</u>
Finance costs, net	<u>(118)</u>	<u>(1,068)</u>

Note:

During the year ended 31 December 2020, interest expenses on bank borrowings were capitalised at the weighted average rate of its general borrowings of approximately 3.43% (2019: Nil).

8. INCOME TAX EXPENSE

During the year ended 31 December 2020, no provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong. During the year ended 31 December 2019, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2020 and 2019, Shenzhen Hengchang Sheng Technology Company Limited* (“Shenzhen Hengchang Sheng”), the Group’s major subsidiary in the PRC has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

	2020	2019
	RMB’000	RMB’000
Current income tax		
– PRC corporate income tax (“CIT”)	3,805	3,335
– Hong Kong profits tax	—	449
Total current income tax	<u>3,805</u>	<u>3,784</u>
Deferred income tax	<u>(801)</u>	<u>(54)</u>
Income tax expense	<u><u>3,004</u></u>	<u><u>3,730</u></u>

The taxation on the Group's profit before income tax differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits of subsidiaries of the Group as follows:

	2020	2019
	RMB'000	RMB'000
Profit before income tax	<u>20,327</u>	<u>29,187</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	2,887	4,317
Tax effect of:		
Income not subject to tax	(209)	(164)
Expenses not deductible for tax purpose	1,410	1,256
Tax loss for which no deferred income tax asset was recognised	663	49
Withholding tax	101	104
Super deductions from research and development expenditures (Note)	(1,848)	(1,687)
Tax concession	<u>—</u>	<u>(145)</u>
Income tax expense	<u>3,004</u>	<u>3,730</u>

The changes in the weighted average applicable tax rates were mainly due to the changes in the proportion of the taxable profits under Hong Kong profits tax and PRC CIT which were subject to different applicable tax rates.

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong ("IRD") from the year of assessment 2019/20 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2019 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5%.

Note:

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

9. 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 years ended 31 December 2020 and 2019.

	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	17,323	25,457
Weighted average number of ordinary shares in issue (thousands of shares)	300,000	300,000
Basic and diluted earnings per share (RMB cents)	<u>5.77</u>	<u>8.49</u>

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

10(a). PROPERTIES, PLANT AND EQUIPMENT

	Right of-use assets RMB'000	Buildings RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2019							
Cost	22,082	6,015	484	2,859	80,498	3,130	115,068
Accumulated depreciation	<u>(3,921)</u>	<u>(1,585)</u>	<u>(474)</u>	<u>(1,494)</u>	<u>(49,252)</u>	<u>(1,633)</u>	<u>(58,359)</u>
Net book amount	<u>18,161</u>	<u>4,430</u>	<u>10</u>	<u>1,365</u>	<u>31,246</u>	<u>1,497</u>	<u>56,709</u>
Year ended 31 December 2019							
Opening net book amount	18,161	4,430	10	1,365	31,246	1,497	56,709
Additions	27,861	—	—	295	3,065	120	31,341
Depreciation	(4,050)	(299)	(10)	(545)	(4,223)	(352)	(9,479)
Disposals	—	—	—	—	(11)	—	(11)
Exchange difference	—	—	—	—	—	11	11
Closing net book amount	<u>41,972</u>	<u>4,131</u>	<u>—</u>	<u>1,115</u>	<u>30,077</u>	<u>1,276</u>	<u>78,571</u>
At 31 December 2019							
Cost	49,943	6,015	484	3,123	79,082	3,053	141,700
Accumulated depreciation	<u>(7,971)</u>	<u>(1,884)</u>	<u>(484)</u>	<u>(2,008)</u>	<u>(49,005)</u>	<u>(1,777)</u>	<u>(63,129)</u>
Net book amount	<u>41,972</u>	<u>4,131</u>	<u>—</u>	<u>1,115</u>	<u>30,077</u>	<u>1,276</u>	<u>78,571</u>

	Right of-use assets RMB'000	Buildings RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020								
Opening net book amount	41,972	4,131	—	1,115	30,077	1,276	—	78,571
Additions	4,853	—	—	507	3,942	—	46,841	56,143
Depreciation	(7,054)	(301)	—	(545)	(4,588)	(375)	—	(12,863)
Disposals	—	—	—	—	(47)	—	—	(47)
Exchange difference	—	—	—	—	—	(24)	—	(24)
Closing net book amount	<u>39,771</u>	<u>3,830</u>	<u>—</u>	<u>1,077</u>	<u>29,384</u>	<u>877</u>	<u>46,841</u>	<u>121,780</u>
At 31 December 2020								
Cost	53,792	6,015	484	3,630	79,908	3,012	46,841	193,682
Accumulated depreciation	<u>(14,021)</u>	<u>(2,185)</u>	<u>(484)</u>	<u>(2,553)</u>	<u>(50,524)</u>	<u>(2,135)</u>	<u>—</u>	<u>(71,902)</u>
Net book amount	<u>39,771</u>	<u>3,830</u>	<u>—</u>	<u>1,077</u>	<u>29,384</u>	<u>877</u>	<u>46,841</u>	<u>121,780</u>

During the year ended 31 December 2020, depreciation expenses of approximately RMB1,450,000 (2019: RMB1,437,000) were charged in administrative expenses; approximately RMB854,000 (2019: RMB832,000) were charged in selling and distribution expenses; approximately RMB10,004,000 (2019: RMB7,210,000) were charged in cost of sales; and approximately RMB555,000 (2019: Nil) were included in construction in progress.

10(b). LEASES

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020	2019
	RMB'000	RMB'000
Right-of-use assets[#]		
Land-use rights ^{##}	26,909	27,463
Properties	725	3,080
Plant and machinery	12,137	11,429
	<u>39,771</u>	<u>41,972</u>

[#] The balances were included in Note 10 (a) "Properties, plant and equipment".

^{##} The Group has land lease arrangement with Mainland China government.

	2020	2019
	RMB'000	RMB'000
Lease liabilities		
Current portion	5,855	10,051
Non-current portion	107	593
	<u>5,962</u>	<u>10,644</u>

Additions to the right-of-use assets amounted to approximately RMB4,853,000 (2019: RMB27,861,000) during the year ended 31 December 2020.

On 31 December 2018, the Group entered into a sales and finance lease back arrangement with a bank in respect of various equipment that the Group purchased on the same day. The lease also has a repayable on demand clause which can be exercised at the lender's sole discretion. Accordingly, the corresponding lease liability is classified as current liability.

As at 31 December 2020, the relevant lease liabilities were secured by leased plant and machinery of RMB10,159,000 (2019: RMB11,429,000).

The carrying amounts of the Group's lease liabilities were denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	2,621	3,296
USD	3,155	7,348
Euro ("EUR")	186	—
	<u>5,962</u>	<u>10,644</u>

(ii) Amounts recognised in the consolidated income statement

	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land-use rights [#]	—	185
Properties	2,593	2,595
Plant and machinery	3,906	1,270
	<u>6,499</u>	<u>4,050</u>
Interest expense on leases (Note 7)	<u>433</u>	<u>630</u>
Rental expenses of short-term leases in respect of machinery and properties (Note 4)	<u>8,095</u>	<u>5,497</u>

[#] During the year ended 31 December 2020, depreciation charges of land-use rights amounting to approximately RMB550,000 (2019: Nil) were included in construction in progress.

(iii) Amounts recognised in the consolidated statement of cash flows

During the year ended 31 December 2020, the total cash outflows for leases were analysed as below:

	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities[#]		
Payments for short-term leases in respect of machinery and properties	<u>8,095</u>	<u>5,497</u>
Cash flows from financing activities		
Payments of principal element of lease liabilities	9,236	6,369
Payments of interest element of lease liabilities	<u>433</u>	<u>630</u>
The total cash outflow of leases	<u><u>17,764</u></u>	<u><u>12,496</u></u>

[#] Payments for short-term leases were not shown separately, but included in the line of 'profit before income tax' in respect of the net cash generated from operations using the indirect method.

(iv) 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.

(v) 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 lessee and not by the respective lessor.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Current portion		
Prepayments	16,543	13,767
Deposits (Note (a))	7,237	6,778
Value-added tax receivables	5,322	—
Other receivables (Notes (a) and (b))	616	486
	<u>29,718</u>	<u>21,031</u>
Non-current portion		
Prepayments for the acquisition of land-use rights	8,000	—
Prepayments for construction works	7,654	—
Prepayments for the acquisition of properties, plant and equipment	163	808
Deposits (Note (a))	28	521
	<u>15,845</u>	<u>1,329</u>
	<u><u>45,563</u></u>	<u><u>22,360</u></u>

Notes:

- (a) As at 31 December 2020 and 2019, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts were unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's deposits and other receivables were denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	7,847	7,785
EUR	28	—
HK\$	6	—
	<u>7,881</u>	<u>7,785</u>

12. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Raw materials	60,343	33,413
Work in progress	3,683	4,344
Finished goods	16,502	14,770
	<u>80,528</u>	<u>52,527</u>

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2020 amounted to approximately RMB497,269,000 (2019: RMB484,950,000) which included reversal of inventory provision amounting to approximately RMB174,000 (2019: RMB339,000).

13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Contract assets	5,517	7,559
Trade receivables	97,370	153,796
Bills receivables	14,916	600
Less: provision for impairment of trade and bills receivables	(5,680)	(595)
Trade and bills receivables	106,606	153,801
Contract assets, trade and bills receivables	112,123	161,360

As at 31 December 2020 and 2019, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

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

As at 31 December 2020 and 2019, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2020	2019
	RMB'000	RMB'000
Within 3 months	102,925	143,670
Over 3 months	9,361	10,726
	112,286	154,396
Less: provision for impairment of trade and bills receivables	(5,680)	(595)
	106,606	153,801

As at 31 December 2020 and 2019, trade receivables of approximately RMB5,312,000 and RMB35,528,000 were past due respectively.

Movements of the provision for impairment of trade and bills receivables were as follows:

	2020	2019
	RMB'000	RMB'000
At beginning of the year	595	—
Provision for impairment of trade and bills receivables on individual basis	4,476	595
Reversal for impairment of trade and bills receivables on individual basis	(120)	—
Provision for impairment of trade and bills receivables on collective basis	766	—
Exchange difference	(37)	—
At end of the year	5,680	595

The carrying amounts of the Group's contract assets, trade and bills receivables were denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	101,857	137,398
USD	10,266	23,962
	<u>112,123</u>	<u>161,360</u>

The maximum exposure to credit risk as at 31 December 2020 and 2019 was the carrying value of the contract assets and receivables mentioned above. The Group does not hold any collateral as security.

14. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables	162,957	116,642
Bills payables	33,455	10,859
	<u>196,412</u>	<u>127,501</u>

As at 31 December 2020 and 2019, the aging analysis of trade and bills payables, based on invoice date, was as follows:

	2020	2019
	RMB'000	RMB'000
Within 3 months	151,193	119,384
Over 3 months	45,219	8,117
	<u>196,412</u>	<u>127,501</u>

The carrying amounts of the Group's trade and bills payables were denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	180,857	115,285
USD	15,555	12,216
	<u>196,412</u>	<u>127,501</u>

As at 31 December 2020 and 2019, the carrying amounts of trade and bills payables approximated their fair values.

15. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	RMB'000
Other payables	8,546	6,520
Payables for construction works	18,628	—
Other tax payables	1,684	7,439
Accruals	16,806	16,933
Contract liabilities (Note 3(c))	<u>33,248</u>	<u>15,679</u>
	<u><u>78,912</u></u>	<u><u>46,571</u></u>

As at 31 December 2020 and 2019, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values.

The carrying amounts of the Group's contract liabilities, other payables and accruals were denominated in the following currencies:

	2020	2019
	RMB'000	RMB'000
RMB	49,076	32,209
USD	28,503	13,097
HK\$	1,153	1,265
EUR	<u>180</u>	<u>—</u>
	<u><u>78,912</u></u>	<u><u>46,571</u></u>

16. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2020 and 2019.

BUSINESS REVIEW

During the Reporting Period, trade friction between the United States of America and China became more and more tightened, bringing uncertainties to the future development of the world economy, and slowing down the economic growth of both China and the world. Further, the outbreak of the novel coronavirus (COVID-19) (the “Novel Coronavirus Outbreak”) in early 2020 started to halt social and economic activities seriously nationwide. In support of official infection prevention and containment policies, our production plant in Shenzhen suspended their operations for an extended period of time after the Chinese New Year. Under such adverse circumstances, the Group’s performance in the first half of 2020 was inevitably affected. Under the strictly infection prevention and containment measures taken by the China government, the Novel Coronavirus Outbreak in China was gradually under control and the economic in China gradually recovered in the second half year of 2020. In the second half year of 2020, the Group actively speed up the production and explored more business opportunities to enhance the Group’s revenue and profitability.

During the Reporting Period, a turnover of approximately RMB547.8 million was recorded by the Group, representing a slight increase of approximately 0.3% as compared with that in the corresponding period in 2019; while the profit for the Reporting Period attributable to equity holders of the Company of approximately RMB17.3 million decreased by approximately 32.0% as compared with that in the corresponding period in 2019 of approximately RMB25.5 million mainly due to the decrease in gross profit margins, the increase in administration expenses for the subsidiaries incorporated in the Reporting Period and professional fees incurred for the application of government grant, and the impairment loss made against contract assets, trade and bills receivables, which were partially offset by the increase in government grant.

BUSINESS STRATEGY

Looking forward, the Group's operating environment will remain challenging due to the spread of Novel Coronavirus (COVID-19) around the world and the escalation in tensions between the PRC and the US. 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 make efforts to expand our customer base to broaden the sources of revenue and diversify business risk;
- Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base; and
- Construct our own production plants instead of renting one to increase the interest of the shareholders in long term.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

OPERATING RESULTS

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:

	2020	2019
	RMB'000	RMB'000
The PRC	439,782	452,170
USA	26,997	10
India	25,075	14,313
South Korea	22,698	15,513
Austria	14,810	12,422
Hong Kong	8,655	11,648
Brazil	517	23,316
Others (<i>Note</i>)	9,291	16,933
	<u>547,825</u>	<u>546,325</u>

Note: Others include Taiwan, United Kingdom, Mexico and Australia.

Revenue by Product Type

During the Reporting Period, 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 Reporting Period and for the year ended 31 December 2019 respectively:

	Revenue for the			% of total revenue for the		
	year ended 31 December			year ended 31 December		
	2020	2019	Change	2020	2019	Change
	RMB'000	RMB'000	%			
PCBAs	258,612	194,456	33.0	47.2	35.6	11.6
Fully-assembled electronic products	<u>289,213</u>	<u>351,869</u>	(17.8)	<u>52.8</u>	<u>64.4</u>	(11.6)
Total	<u>547,825</u>	<u>546,325</u>	0.3	<u>100.0</u>	<u>100.0</u>	—

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 sales of PCBAs increased by approximately 33.0% from approximately RMB194.5 million for the year ended 31 December 2019 to approximately RMB258.6 million for the Reporting Period, primarily due to the increased orders from new customers developed in the Reporting Period and the second half year of 2019 for smart device products, which is partially offset by the decreased orders for banking and finance devices due to the spread of the novel coronavirus (COVID-19) throughout the world as these banking and finance devices were mainly exported overseas by the customers.

Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with PCBAs primarily manufactured by us in-house mainly include mobile phones, mPOS, photovoltaic inverters, tablets and street lamp controller, which are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from sales of fully-assembled electronic products decreased by approximately 17.8% from approximately RMB351.9 million for the year ended 31 December 2019 to approximately RMB289.2 million for the Reporting Period, which primarily resulted from the decreased orders of mPOS products due to fierce competition and the decreased price of the mPOS products since late 2019.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB49.6 million, representing a decrease of approximately RMB10.9 million or 18.0% as compared with approximately RMB60.5 million for the year ended 31 December 2019. Overall gross profit margin decreased from 11.1% for the year ended 31 December 2019 to 9.1% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2020 RMB'000	2019 RMB'000	Change (%)	2020 %	2019 %	Change (%)
PCBAs	37,266	32,746	13.8	14.4	16.8	(2.4)
Fully-assembled electronic products	<u>12,328</u>	<u>27,733</u>	(55.5)	<u>4.3</u>	<u>7.9</u>	(3.6)
Total	<u>49,594</u>	<u>60,479</u>	(18.0)	<u>9.1</u>	<u>11.1</u>	(2.0)

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 13.8% to approximately RMB37.3 million for the Reporting Period (2019: approximately RMB32.7 million). The gross profit margin decreased to approximately 14.4% for the Reporting Period (2019: approximately 16.8%), which primarily resulted from (i) fixed operation costs incurred during the suspension period of the Group's plant due to the Novel Coronavirus Outbreak; (ii) orders from new customers for smart devices PCBAs with a lower gross profit margin due to fierce competition and the slowing down economic while orders from existing customers for banking and finance PCBAs with a higher gross profit decreased due to the spread of the novel coronavirus disease (COVID-19) throughout the world during the Reporting Period; (iii) increased rental expenses of the equipment incurred to speed up the production process in order to meet the orders delayed in the first quarter of the customers after the resumption of our production plant; and (iv) the price of raw materials was increasing since the Novel Coronavirus Outbreak.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 55.5% to approximately RMB12.3 million for the Reporting Period (2019: approximately RMB27.7 million). The gross profit margin decreased to approximately 4.3% for the Reporting Period (2019: approximately 7.9%), which was mainly due to (i) fixed operation costs incurred during the suspension period of the Group's plant; (ii) increased outsourcing fees incurred to speed up the production process in order to meet the orders delayed in the first quarter of the customers after the resumption of our production plant; and (iii) we offered a more competitive price to our mPOS customers since late 2019 due to fierce competition and the slowing down economic in China.

Other Income

Other income of the Group, comprises discretionary government grants received by the Group, increased by approximately 230.7% from approximately RMB3.8 million for the year ended 31 December 2019 to approximately RMB12.6 million for the Reporting Period due to the increase in government grants received.

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 agents in respect of customer introduction; (iv) credit insurance fees and (v) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB13.2 million (2019: approximately RMB15.0 million), representing a decrease of approximately 12.0% as compared to the year ended 31 December 2019. Selling and distribution expense against revenue ratio decreased from approximately 2.8% for the year ended 31 December 2019 to 2.4% for the Reporting Period. The decrease in the selling and distribution expense was mainly due to that the transportation charges for mPOS products were born by the customer since September 2020.

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; (ii) professional fees; and (iii) other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB23.0 million (2019: approximately RMB18.6 million), representing an increase of approximately 23.7% as compared to the year ended 31 December 2019. The increase in administrative expenses was mainly due to: (i) the increased professional fees incurred for the application of government grants received in the Reporting Period; and (ii) increased operating administrative expense for the newly incorporated subsidiaries in Huizhou, the PRC and Germany.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly represented the provision of impairment of contract assets, trade and bills receivables. For the Reporting Period, net impairment of approximately RMB5.1 million (2019: RMB0.6 million) were made against the contract assets, trade and bills receivables which mainly were difficult to be recovered.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank borrowings, finance lease liability and lease liabilities while our finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, the net finance costs of the Group were approximately RMB0.1 million (2019: approximately RMB1.1 million) representing a decrease of approximately 89.0% as compared to the year ended 31 December 2019. The decreased net finance cost was primarily due to (i) some finance costs were capitalised for the construction of production plant in Huizhou, and (ii) the repayment of existing interest-bearing liabilities while the new bank borrowing was borrowed near the end of 2020.

Income Tax Expense

Income tax expense amounted to approximately RMB3.0 million for the Reporting Period (2019: approximately RMB3.7 million), representing a decrease of approximately 19.5% as compared to the year ended 31 December 2019. Our major operating subsidiary, Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司) (“Shenzhen Hengchang Sheng”), enjoyed a preferential tax treatment because of its accreditation as a New/High - Tech Technology Enterprise and the applicable tax rate was 15%. The decrease in income tax expense was mainly attributed to the decrease in the profit of our major operating subsidiary, Shenzhen Hengchang Sheng.

Profit Attributable to Equity Holders of the Company

As a result of the facts discussed above, profit attributable to equity holders of the Company decreased by approximately 32.0% from approximately RMB25.5 million for the year ended 31 December 2019 to approximately RMB17.3 million for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB142.0 million as at 31 December 2020 (2019: approximately RMB153.2 million). The current ratio of the Group decreased from approximately 1.7 as at 31 December 2019 to approximately 1.5 as at 31 December 2020.

Borrowings, the Pledge of Assets and Restricted Cash

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks. The bank borrowings of the Group amounted to approximately RMB26.7 million as at 31 December 2020 (31 December 2019: approximately RMB16.4 million). The weighted average interest rate per annum of the Group's bank borrowings as at 31 December 2020 was 4.35% (31 December 2019: 4.13%). As at 31 December 2020, the bank borrowings were secured by pledged bank deposit, land-use rights, certain equipment and a corporate guarantee provided by the Company. As at 31 December 2019, the bank borrowings were secured by pledged bank deposit, certain equipment and a corporate guarantee provided by the Company. As at 31 December 2020, the bank deposits amounting to RMB33.7 million (31 December 2019: RMB7.5 million) were pledged in banks for the facilities granted by banks to the Group, a performance bond to a new customer and security for the forward exchange contracts. Also, as at 31 December 2019, a deposit of approximately RMB2.7 million was held in a designated bank account to guarantee the construction and investment in relation to the plant in Huizhou. The cash and cash equivalents, pledged bank deposits, short term bank deposits and restricted cash and bank borrowings were mainly denominated in Renminbi (“**RMB**”), Hong Kong Dollars (“**HK\$**”) and United States Dollars (“**USD**”) and Euros (“**EUR**”).

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 10.7% and 7.0% as at 31 December 2020 and 31 December 2019, respectively. During the Reporting Period, the bank borrowings increased by approximately RMB10.3 million, which was mainly due to the increased borrowings for the construction of our production plant in Huizhou. 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

As at 31 December 2020, the Company's issued share capital was HK\$3,000,000 and the number of issued shares of the Company was 300,000,000 ordinary shares of HK\$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK\$, USD and EUR, 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 the respective functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. During the Reporting Period, the Group entered into certain USD forward exchange contracts with a bank amounting to approximately US\$15.0 million to hedge its exposure to USD exchange rate risk.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB56.3 million (2019: RMB32.0 million). The capital expenditure was mainly related to the construction of production plant in Huizhou, the additions of a piece of land use right, office equipment, plant and machinery and intangible assets.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2020 (2019: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme.

As at 31 December 2020, the Group had 546 employees with a total remuneration of approximately RMB47.5 million during the Reporting Period (2019: approximately RMB48.9 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

ACQUISITION OF LAND USE RIGHT IN HUIZHOU CITY

On 7 July 2020, Eternity Technology (Huizhou) Company Limited* (恒達科技 (惠州) 有限公司) (the “**Eternity (Huizhou)**”), an indirect wholly owned subsidiary of the Company, entered into a confirmation letter with Huizhou City Land Resources Bureau* (惠州市國土資源局) to confirm that Eternity (Huizhou) successfully won the bid for the Auction for the land use rights of the Land, which was located at Xinxing Industrial Park, Daya Bay Western District, Huizhou City, the PRC* (中國惠州市大亞灣西區新興產業園) at a consideration of RMB25.5 million.

CONSTRUCTION OF A FACTORY IN HUIZHOU CITY

On 16 July 2020, Huizhou Eternity Technology Company Limited *(惠州市恒昌盛科技有限公司) (the “**Huizhou Eternity**”), an indirect wholly owned subsidiary of the Company, entered into a construction contract with Huizhou City Chunlin Construction Engineering Company Limited* (惠州市春林建築工程有限公司) (the “Contractor”) pursuant to which the Contractor agreed to undertake the construction works for the factory located at Block JD-130-05-02, South District, Shuikou Private Industrial Park, Huicheng District, Huizhou City, the PRC* (中國惠州市惠城區水口民營工業園南區JD-130-05-02地塊) at the price of approximately RMB79.9 million (subject to adjustments).

MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS

Saved as aforesaid in this announcement, the Group did not have any material acquisitions, disposals of subsidiaries, associates and joint ventures and significant investments during the Reporting Period.

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. As disclosed in the Company’s announcement dated 16 July 2020 (the “**Change of Use of Proceeds Announcement**”), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of part of the unutilised Net Proceeds in the amount of approximately HK\$40.6 million originally

allocated for (i) expand our production capacity and enhance our production efficiency; (ii) 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; and (iii) upgrade our ERP system and enhance our capabilities in information technology, to construction of a production base in Huizhou. The following table sets forth the status of the use of revised allocation of the Net Proceeds as at 31 December 2020 and the date of the change of Use of Proceeds Announcement:

Business objectives as stated in the Prospectus	Use of proceeds as stated in the Prospectus and adjusted for the actual net proceeds HK\$ million	Actual use of proceeds from the Listing Date to the date of the Change of Use of Proceeds Announcement HK\$ million	Reallocation HK\$ million	Amount utilized after reallocation HK\$ million	Remaining balance HK\$ million	Expected time frame
Expand our production capacity and enhance our production efficiency	64.7	43.7	(21.0)	—	—	—
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	0.8	(16.6)	—	—	—
Further strengthen our research and development capabilities	4.5	4.4	—	0.1	—	—
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.4	(3.0)	—	—	—
General working capital	6.7	6.0	—	0.7	—	—
Construction of a production base in Huizhou	—	—	40.6	23.4	17.2	to be used during the year ending 31 December 2021
	<u>96.7</u>	<u>55.3</u>	<u>—</u>	<u>24.2</u>	<u>17.2</u>	

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 and the change of Use of Proceeds Announcement.

CAPITAL COMMITMENT

As at 31 December 2020, the Group's capital commitment amounted to approximately RMB44.6 million (2019: RMB0.9 million). The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency and construction of Huizhou factory.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 (2019: Nil).

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all shareholders.

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the Reporting Period except the following deviation:

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.

AUDIT COMMITTEE

The Audit Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG Code for the purpose of 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 risk management and internal control systems of the Group. The Audit Committee 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 Group’s accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

During the year ended 31 December 2020, the Audit Committee has held two meetings for discussion on the audit and financial reporting related matters. At the meetings, the Audit Committee had reviewed the final results for the year ended 31 December 2019, the interim results for the six months ended 30 June 2020 and the Group's internal controls for the year ended 31 December 2019. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The Terms of Reference of the Audit Committee are available on the website of the Company and of the Stock Exchange.

The external auditor has been invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on the audit and financial reporting related matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS OF DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 complied with the required standard set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 2 June 2021 (Wednesday), the register of members of the Company will be closed from 28 May 2021 (Friday) to 2 June 2021 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 27 May 2021 (Thursday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 27 May 2021.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.szeternity.com>). The annual report of the Company for the year ended 31 December 2020 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress and to our shareholders, customers and business partners for their support.

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

Hong Kong, 19 March 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

* *For identification purposes only*