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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **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 2020 (the “**Review Period**”), together with the comparative figures for the six months ended 30 June 2019.

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the Review Period was approximately RMB295.3 million, representing an increase of approximately 8.6% as compared with approximately RMB271.9 million for the corresponding period in 2019.
- Gross profit of the Group for the Review Period was approximately RMB14.8 million, representing a decrease of approximately 56.5% as compared with approximately RMB34.1 million for the corresponding period in 2019.
- Profit attributable to equity holders of the Company for the Review Period was approximately RMB0.6 million, represented a decrease of approximately 96.9% as compared with approximately RMB17.9 million for the corresponding period in 2019.
- Basic and diluted earnings per share attributable to equity holders of the Company is RMB0.187 cents for the Review Period.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Unaudited	
		six months ended 30 June	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	5	295,256	271,912
Cost of sales	6	<u>(280,424)</u>	<u>(237,817)</u>
<b>Gross profit</b>		<b>14,832</b>	34,095
Other income	7	7,181	3,162
Selling and distribution expenses	6	(6,100)	(7,126)
Administrative expenses	6	(10,137)	(8,437)
Other (losses)/gains, net	8	(829)	281
Net impairment losses on financial assets	6	<u>(4,552)</u>	<u>—</u>
<b>Operating profit</b>		<b>395</b>	21,975
Finance income		282	197
Finance costs		<u>(479)</u>	<u>(630)</u>
Finance costs, net		<u>(197)</u>	<u>(433)</u>
<b>Profit before income tax</b>		<b>198</b>	21,542
Income tax credit/(expense)	9	<u>362</u>	<u>(3,639)</u>
<b>Profit for the period attributable to equity holders of the Company</b>		<b><u>560</u></b>	<b><u>17,903</u></b>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<b><u>RMB0.187 cents</u></b>	<b><u>RMB5.968 cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Profit for the period</b>	<u>560</u>	<u>17,903</u>
<b>Other comprehensive income:</b>		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>1,465</u>	<u>86</u>
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<u><u>2,025</u></u>	<u><u>17,989</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	Note	<b>RMB'000</b>	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, plant and equipment		<b>75,167</b>	78,571
Intangible assets		<b>1,461</b>	1,735
Prepayments and deposits	12	<b>12,458</b>	1,329
Restricted cash		<b>2,683</b>	2,683
Deferred income tax assets		<b>1,615</b>	591
		<b>93,384</b>	84,909
<b>Current assets</b>			
Inventories		<b>75,758</b>	52,527
Contract assets	13	<b>4,937</b>	7,559
Trade and bills receivables	13	<b>269,317</b>	153,801
Prepayments, deposits and other receivables	12	<b>23,146</b>	21,031
Restricted cash		—	182
Pledged bank deposits		<b>15,219</b>	7,500
Short-term bank deposits		<b>92</b>	9,184
Cash and cash equivalents		<b>116,371</b>	107,856
		<b>504,840</b>	359,640
<b>Total assets</b>		<b>598,224</b>	444,549
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>2,619</b>	2,619
Share premium		<b>110,868</b>	110,868
Retained earnings		<b>96,016</b>	96,010
Reserves		<b>28,703</b>	26,684
<b>Total equity</b>		<b>238,206</b>	236,181

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2020

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	Note	<b>RMB'000</b>	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		21	593
Deferred government grants		<u>7,919</u>	<u>1,285</u>
		<u>7,940</u>	<u>1,878</u>
<b>Current liabilities</b>			
Trade and bills payables	14	272,616	127,501
Other payables and accruals	15	30,061	30,892
Lease liabilities		7,303	10,051
Contract liabilities	15	26,612	15,679
Bank borrowings		11,945	16,422
Current income tax liabilities		<u>3,541</u>	<u>5,945</u>
		<u>352,078</u>	<u>206,490</u>
<b>Total liabilities</b>		<u>360,018</u>	<u>208,368</u>
<b>Total equity and liabilities</b>		<u>598,224</u>	<u>444,549</u>

# 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 21 August 2020.

This interim financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRS**”).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **(a) New and amended standard adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### **(b) Impact of standards issued but not yet applied by the Group**

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### **4. ESTIMATES**

The preparation of this interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements in the annual report for the year ended 31 December 2019.

## 5. 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	
	2020	2019
	RMB'000	RMB'000
Time of revenue recognition		
At a point in time - sales of goods	269,825	225,337
Over time - provision of services	25,431	46,575
	<u>295,256</u>	<u>271,912</u>



**(b) Segment revenue by customers' geographical location**

The Group is domiciled in the People's Republic of China ("PRC" or "China"). The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
The PRC	<b>264,001</b>	235,676
India	<b>11,692</b>	—
South Korea	<b>9,031</b>	4,806
Hong Kong	<b>5,137</b>	—
Brazil	<b>248</b>	17,770
Mexico	—	12,534
Others (Note)	<b>5,147</b>	1,126
	<b><u>295,256</u></b>	<b><u>271,912</u></b>

Note: Others include Taiwan, the United States of America, United Kingdom and Austria.

**(c) Non-current assets by geographical location**

As at 30 June 2020 and 31 December 2019, all of the Group's non-current assets were located in the PRC.

## 6. 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:

	Unaudited	
	six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of raw materials used	219,361	203,730
Consumables	911	1,765
Subcontracting charges	28,267	10,331
Employee benefit expenses and manpower service expenses, including Directors' emoluments	25,999	20,605
Rental expenses of short-term leases in respect of machineries	5,259	1,918
Utilities	1,757	1,704
Depreciation	5,104	4,602
Amortisation	280	257
Auditor's remuneration		
– Audit services	362	302
Professional fees	3,283	2,424
Office expenses	198	233
Reversal of inventories	(1,846)	(2,010)
Other tax and surcharges	304	240
Transportation	2,960	2,110
Commission expenses	140	518
Repair and maintenance	103	193
Provision for impairment of trade receivables (Note 13)	4,552	—
Others	4,219	4,458
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets	<u>301,213</u>	<u>253,380</u>

## 7. OTHER INCOME

	Unaudited	
	six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants	<u>7,181</u>	<u>3,162</u>

## 8. OTHER (LOSSES)/GAINS, NET

	Unaudited	
	six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Exchange differences	(829)	283
Loss on disposal of properties, plant and equipment	<u>—</u>	<u>(2)</u>
	<u>(829)</u>	<u>281</u>

## 9. INCOME TAX (CREDIT)/EXPENSE

During the six months ended 30 June 2019, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the six months ended 30 June 2020, no provision for Hong Kong profits tax has been made in the interim financial information as the Group had no assessable profit in Hong Kong.

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

During the six months ended 30 June 2020, the Group's subsidiary in the PRC has qualified for high and new technology enterprise status and is therefore subject to PRC CIT at a preferential income tax rate of 15%.

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Current income tax		
- PRC CIT	<b>610</b>	4,357
- Hong Kong profits tax	<b>52</b>	347
	<b>662</b>	4,704
Deferred income tax	<b>(1,024)</b>	(1,065)
Income tax (credit)/expense	<b>(362)</b>	3,639

## 10. 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 2020 and 2019.

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2020</b>	2019
Profit attributable to equity holders of the Company (RMB'000)	<b>560</b>	17,903
Weighted average number of ordinary shares in issue (thousands of shares)	<b>300,000</b>	300,000
Basic and diluted earnings per share (RMB cents)	<b>0.187</b>	5.968

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 2020 and 2019.

## 11. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 and 2019.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Current portion</b>		
Prepayments	<b>15,409</b>	13,767
Rental deposits (Note a)	<b>7,526</b>	6,778
Other receivables (Notes a and b)	<b>211</b>	486
	<u><b>23,146</b></u>	<u>21,031</u>
<b>Non-current portion</b>		
Rental deposits (Note a)	—	521
Deposits paid for the acquisition of land use right (Note a)	<b>8,000</b>	—
Prepayments for the acquisition of properties, plant and equipment	<b>176</b>	808
Prepayments for construction of manufacturing plant	<b>4,282</b>	—
	<u><b>12,458</b></u>	<u>1,329</u>
	<u><b>35,604</b></u>	<u>22,360</u>

Notes:

- (a) As at 30 June 2020 and 31 December 2019, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts were unsecured, interest free and repayable on demand.

### 13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Contract assets	<u>4,937</u>	<u>7,559</u>
Trade receivables	272,578	153,796
Bills receivables	1,680	600
Less: provision for impairment of trade receivables	<u>(4,941)</u>	<u>(595)</u>
Trade and bills receivables	<u>269,317</u>	<u>153,801</u>
Contract assets, trade and bills receivables	<u><u>274,254</u></u>	<u><u>161,360</u></u>

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 2020 and 31 December 2019 represented the amounts of services that were completed but unbilled before the period/year-end.

As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
1 to 3 months	<b>268,471</b>	143,670
Over 3 months	<b>5,787</b>	10,726
	<b>274,258</b>	154,396
Less: provision for impairment of trade receivables	<b>(4,941)</b>	(595)
	<b>269,317</b>	153,801

During the six months ended 30 June 2020, trade receivables amounting to approximately RMB4,346,000 were fully impaired in respect of certain debtors who were in delinquency of payments (30 June 2019: Nil).

Movements of the provision on individual basis were as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
At beginning of the period/year	<b>595</b>	—
Provision for impairment of trade receivable on individual basis	<b>4,552</b>	595
Exchange difference	<b>(206)</b>	—
At end of the period/year	<b>4,941</b>	595

#### 14. TRADE AND BILLS PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Trade payables	<b>245,433</b>	116,642
Bills payables	<b>27,183</b>	10,859
	<hr/>	<hr/>
Trade and bills payables	<b><u>272,616</u></b>	<u>127,501</u>

As at 30 June 2020 and 31 December 2019, the aging analysis of trade and bills payables, based on invoice date, was as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>263,646</b>	119,384
Over 3 months	<b>8,970</b>	8,117
	<hr/>	<hr/>
	<b><u>272,616</u></b>	<u>127,501</u>

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade and bills payables approximated their fair values.



## 15. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Other payables	<b>8,416</b>	6,520
Other tax payables	<b>9,718</b>	7,439
Accruals	<b>11,927</b>	16,933
Contract liabilities	<b>26,612</b>	15,679
	<hr/> <b>56,673</b> <hr/>	<hr/> 46,571 <hr/>

As at 30 June 2020 and 31 December 2019, 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 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. After the resumption of our production plant, the Group has made efforts to speed up the production process in order to meet the delayed orders in the suspension period and as a result, certain production costs increased significantly in the second quarter of 2020. The above circumstances greatly affect the profitability of the Group for the Review Period.

During the Review Period, a turnover of approximately RMB295.3 million was recorded by the Group, representing an increase of approximately 8.6% as compared with that in the corresponding period in 2019; while the profit for the Review Period attributable to equity holders of the Company of approximately RMB0.6 million decreased significantly as compared with that in the corresponding period in 2019 of approximately RMB17.9 million due to the decrease in gross profit margins and the impairment loss made against trade receivables which were difficult to be recovered for the customers who were in financial difficulties.

## Business Strategies

Looking forward to the second half of 2020, the market and economic environment remains uncertain with the spread of the novel coronavirus (COVID-19) and the tightened friction between the United States of America and China, 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.

## OPERATING RESULTS

### Revenue by customer's 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	
	2020	2019
	RMB'000	RMB'000
The PRC	264,001	235,676
India	11,692	—
South Korea	9,031	4,806
Hong Kong	5,137	—
Brazil	248	17,770
Mexico	—	12,534
Others (Note)	5,147	1,126
	<u>295,256</u>	<u>271,912</u>

Note: Others include Taiwan, the United States of America, United Kingdom and Austria.

## Revenue by Product Type

During the Review Period and the corresponding period in 2019, 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 2019 respectively:

	Revenue for the			% of total revenue for the		
	six months ended 30 June			six months ended 30 June		
	2020	2019	Change	2020	2019	Change
	RMB'000	RMB'000	%			
PCBAs	<b>95,575</b>	84,962	12.5	<b>32.4</b>	31.2	1.2
Fully-assembled electronic product	<b>199,681</b>	186,950	6.8	<b>67.6</b>	68.8	(1.2)
Total	<b><u>295,256</u></b>	<u>271,912</u>	8.6	<b><u>100.0</u></b>	<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 two principal industries, namely, banking and finance and smart device. Our revenue generated from the sales of PCBAs increased by approximately 12.5% from approximately RMB85.0 million for the corresponding period in 2019 to approximately RMB95.6 million for the Review Period, primarily due to the increased orders from new customers developed in the Review 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 the PCBAs primarily manufactured by us in-house mainly include mobile phones, mobile point-of-sale (“mPOS”) 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 increased by approximately 6.8% from approximately RMB187.0 million for the corresponding period in 2019 to approximately RMB199.7 million for the Review Period, primarily due to the increased orders of mPOS products as the Group has continuously offered a more competitive price to customers since last year.

### **Gross Profit and Gross Profit Margin**

Gross profit of the Group for the Review Period was approximately RMB14.8 million, representing a decrease of approximately RMB19.3 million or 56.5% as compared with approximately RMB34.1 million for the corresponding period in 2019. Overall gross profit margin decreased from 12.5% for the corresponding period in 2019 to 5.0% for the Review Period.

	<b>Gross profit for the</b>			<b>Gross profit margin for the</b>		
	<b>six months ended 30 June</b>			<b>six months ended 30 June</b>		
	<b>2020</b>	2019	Change	<b>2020</b>	2019	Change
	<b>RMB'000</b>	RMB'000	%	%	%	%
PCBAs	<b>8,864</b>	13,441	(34.1)	<b>9.3</b>	15.8	(6.5)
Fully-assembled electronic products	<b>5,968</b>	20,654	(71.1)	<b>3.0</b>	11.0	(8.0)
Total	<b>14,832</b>	34,095	(56.5)	<b>5.0</b>	12.5	(7.5)

### ***PCBAs***

The gross profit derived from the sales of PCBAs decreased by approximately 34.1% to approximately RMB8.9 million for the Review Period (six months ended 30 June 2019: approximately RMB13.4 million). The gross profit margin decreased to approximately 9.3% for the Review Period (six months ended 30 June 2019: approximately 15.8%), 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 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 Review Period; and (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.

### ***Fully-assembled electronic products***

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 71.1% to approximately RMB6.0 million for the Review Period (six months ended 30 June 2019: approximately RMB20.7 million). The gross profit margin decreased to approximately 3.0% for the Review Period (six months ended 30 June 2019: approximately 11.0%), 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 in late 2019 due to fierce competition and the slowing down economic in China.

### **Other Income**

Other income of the Group for the Review Period of approximately RMB7.2 million comprises discretionary government grants received by the Group (six months ended 30 June 2019: approximately RMB3.2 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 RMB6.1 million (six months ended 30 June 2019: approximately RMB7.1 million), representing a decrease of approximately 14.4% as compared to that in the corresponding period of 2019. The decrease in the selling and distribution expense was mainly due to that the Group decreased business trip and social activities in support of infection prevention and containment policies imposed by the government due to the Novel Coronavirus Outbreak.

## **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 RMB10.1 million (six months ended 30 June 2019: approximately RMB8.4 million), representing an increase of approximately 20.1% as compared to that in the corresponding period of 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 Review 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 represented the provision of impairment of trade receivables. For the Review Period, impairment of approximately RMB4.6 million (six months ended 30 June 2019: Nil) were made against the trade receivables which were difficult to be recovered as these customers were in financial difficulties.

## **Finance Costs, Net**

Our finance costs mainly comprised interest expense on bank borrowings and lease liabilities while our finance income mainly represented interest income on our cash and cash equivalents. For the Review Period, the net finance costs of the Group was approximately RMB0.2 million (six months ended 30 June 2019: approximately RMB0.4 million). The net finance costs decreased by approximately RMB0.2 million which was in line with the decreased balance of the bank borrowings.

## **Income Tax Credit/Expense**

Income tax credit amounted to approximately RMB0.4 million for the Review Period (six months ended 30 June 2019: income tax expense of approximately RMB3.6 million). Our major operating subsidiary, Shenzhen Hengchang Sheng Technology Company Limited\* (the “**Shenzhen Eternity**”) (深圳市恒昌盛科技有限公司), enjoyed a preferential tax treatment because of its accreditation as a High and New Technology Enterprise and the applicable tax rate was 15% from 2018 to 2020. The extra deduction of research and development expense is higher than profit before income tax, which led to an income tax credit in the Review Period.

## **Profit Attributable to Equity Holders of the Company**

As a result of the facts discussed above, profit attributable to the equity holders of the Company decreased by approximately 96.9% from approximately RMB17.9 million for the corresponding period in 2019 to approximately RMB0.6 million for the Review Period.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Net Current Assets**

The Group had net current assets of approximately RMB152.8 million as at 30 June 2020 (31 December 2019: approximately RMB153.2 million). The current ratio of the Group decreased from approximately 1.7 as at 31 December 2019 to approximately 1.4 as at 30 June 2020.

\* *For identification purpose only*



## **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 interest-bearing liabilities of the Group amounted to approximately RMB11.9 million as at 30 June 2020 (31 December 2019: approximately RMB16.4 million). As at 30 June 2020 and 31 December 2019, interest bearing liabilities were secured by properties, plant and equipment, a pledged bank deposit and a corporate guarantee by the Company. As at 30 June 2020, the bank deposits amounting to RMB15.2 million (31 December 2019: RMB7.5 million) were pledged in banks for issuing bills payables to the suppliers of the Group and for the facilities granted by banks. Also, 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 5.0% and 7.0% as at 30 June 2020 and 31 December 2019 respectively. The gearing remained low due to our low level of interest-bearing borrowings.

## **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 RMB, HK\$ and the 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 USD, HK\$, EUR 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 RMB13.4 million (six months ended 30 June 2019: approximately RMB2.3 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, land use rights and construction of manufacturing plant.

## **INTERIM DIVIDEND**

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2019: Nil).

## **EMPLOYEES AND EMOLUMENTS POLICY**

As at 30 June 2020, the Group had 562 employees with a total remuneration of approximately RMB26.0 million during the Review Period (six months ended 30 June 2019: approximately RMB20.6 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

## **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 30 June 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	Actual use of proceeds from the Listing Date to 30 June 2020	Actual use of proceeds from the Listing Date to the date of the Change of Use of Proceeds Announcement	Reallocation	Remaining balance as at the date of the Change of Use of Proceeds Announcement	Expected time frame
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
Expand our production capacity and enhance our production efficiency	64.7	43.7	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	0.8	(16.6)	—	
Further strengthen our research and development capabilities	4.5	4.4	4.4	—	0.1	to be used during the year ended 31 December 2020
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.4	0.4	(3.0)	—	
General working capital of our Group	6.7	6.0	6.0	—	0.7	to be used during the year ended 31 December 2020
Construction of a production base in Huizhou	—	—	—	40.6	40.6	to be used during the years ended 31 December 2020 and 31 December 2021
	<u>96.7</u>	<u>55.3</u>	<u>55.3</u>	<u>—</u>	<u>41.4</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 30 June 2020, the Group's capital commitment amounted to approximately RMB5.1 million (31 December 2019: approximately RMB0.9 million), respectively. The capital commitment was mainly related to the acquisition of machinery and equipment and construction of manufacturing plant.

## **MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT**

During the Review Period, save as disclosed in this announcement, there were no material acquisition, disposal or significant investment by the Group.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as of 30 June 2020 (31 December 2019: Nil).

## **EVENTS AFTER REVIEW PERIOD**

On 7 July 2020, the Group has won the bid for the auction for the land use rights of a piece of land located at Daya Bay Western District, Huizhou, the PRC, for a total consideration of RMB25.5 million. Details of the acquisition of the land use right are set out in the announcement published by the Company on 7 July 2020.

On 16 July 2020, the Group entered into the construction contract in respect of the construction of the production base in Huizhou, the PRC, with the contractor pursuant to which the contractor agreed to undertake the construction works for the production plant at the contract price of approximately RMB79.9 million (subject to adjustments). And the Board resolved to re-allocate approximately HK\$40.6 million, representing approximately 42.0% of the Net Proceeds, for the purpose of construction of the production base in Huizhou. Details of the construction are set out in the announcement published by the Company on 7 July 2020.

## 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 will provide the eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible participants of the Scheme may include any employee (full-time or part-time), executives, officers, or directors (including non-executive directors and independent non-executive directors) of the Group, and any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board, will contribute or have contributed to the Group (together, the “**Eligible Participants**” or each “**Eligible Participant**”). Unless approved by shareholders of the Company in general meeting in the manner stipulated in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “**Listing Rules**”), the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from the date of adoption of the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

As at the date of this announcement, the total number of shares available for issue under the Scheme was 30,000,000, representing 10% of the issued share capital of the Company as at the Listing Date. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption.

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the remaining life of the Share Option Scheme is approximately 8 years.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 June 2020 and 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 to 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the publicly available information and to the best of the Directors’ knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Review Period.

## **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 complied with the required standard set out in the Model Code during the Review Period.



## **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](http://www.hkex.com.hk)) and the Company (<http://www.szeternity.com>). The interim report of the Company for the six months ended 30 June 2020 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, 21 August 2020

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