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 2018

UNAUDITED INTERIM RESULTS

The board of directors (the "**Board**") of Eternity Technology Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2017.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Period was approximately RMB264.7 million, representing an increase of approximately 23.9% as compared with those for the corresponding period in 2017.
- Gross profit of the Group for the Review Period was approximately RMB41.0 million, representing an increase of approximately 11.9% as compared with RMB36.6 million for the corresponding period in 2017.
- Profit attributable to owners of the Company for the Review Period was approximately RMB17.4 million, representing a slight decrease of approximately 0.5% as compared with those for the corresponding period in 2017. Excluding the listing expenses amounting to RMB7.2 million for the Review Period (six months ended 30 June 2017: RMB4.6 million), the Group's adjusted profit for the Review Period would have been approximately RMB24.6 million, representing an increase of approximately 11% as compared with RMB22.1 million for the corresponding period in 2017.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company was RMB7.74 cents for the Reiew Period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Unaudited six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Revenue	4	**264,737**	213,623
Cost of sales	5	**(223,784)**	(177,030)
Gross profit		**40,953**	36,593
Other income		**2,308**	—
Selling and distribution expenses	5	**(6,181)**	(4,609)
Administrative expenses	5	**(14,836)**	(11,005)
Other (losses)/gains, net		**(137)**	877
Operating profit		**22,107**	21,856
Finance income		**45**	31
Finance costs		**(407)**	(477)
Finance costs, net		**(362)**	(446)
Profit before income tax		**21,745**	21,410
Income tax expense	6	**(4,331)**	(3,917)
Profit for the period		**17,414**	17,493
Profit attributable to:			
Owners of the Company		**17,414**	17,493
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	**RMB 7.74 cents**	RMB 8.65 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**17,414**	17,493
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**88**	194
Total comprehensive income for the period	**17,502**	17,687
Attributable to:		
Owners of the Company	**17,502**	17,687

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	**Unaudited 30 June 2018 RMB'000**	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment		**16,532**	13,853
Intangible assets		**1,633**	1,478
Prepayments and deposits	9	**2,195**	401
Deferred income tax assets		**903**	1,085
		21,263	16,817
Current assets			
Inventories		**57,889**	31,449
Trade and bills receivables	10	**169,882**	71,090
Prepayments, deposits and other receivables	9	**44,334**	10,425
Pledged bank deposits		**7,593**	—
Cash and cash equivalents		**27,674**	53,134
		307,372	166,098
Total assets		**328,635**	182,915
EQUITY			
Equity attributable to owners of the Company			
Share capital		**—**	—
Reserves		**103,861**	86,359
Total equity		**103,861**	86,359

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2018

	Note	**Unaudited 30 June 2018 RMB'000**	Audited 31 December 2017 RMB'000
LIABILITIES			
Current liabilities			
Trade payables	11	**164,489**	55,632
Contract liabilities, other payables and accruals	12	**40,190**	31,089
Bank borrowings		**12,730**	5,000
Current income tax liabilities		**7,365**	4,835
Total liabilities		**224,774**	96,556
Total equity and liabilities		**328,635**	182,915

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION AND REORGANISATION

1.1 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 "**Listing Business**" or the "**EMS**"). 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 (the "**Stock Exchange**") 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 31 August 2018.

1.2 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent a group reorganisation (the "**Reorganisation**") which mainly involved the following steps:

(a) On 15 March 2017, the Company was incorporated in the Cayman Islands. 323 shares and 17 shares of the Company were allotted and issued to Rich Blessing and In Good Investment Limited ("**In Good**"), a former pre-IPO investor, respectively on the same date.

(b) On 23 March 2017, the Company subscribed one fully paid share of Total United Holdings Limited ("**Total United**"). Total United became a wholly owned subsidiary of the Company.

(c) On 27 March 2017, In Good injected capital in the amount of RMB919,000 into Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司) ("**Shenzhen Hengchang Sheng**").

(d) On 30 March 2017, Agreeable Company Limited ("**Agreeable Company**") was incorporated in Hong Kong and controlled by Total United, a wholly owned subsidiary of the Company.

(e) On 12 May 2017, Agreeable Company acquired the entire equity interest in Shenzhen Hengchang Sheng from its then shareholders at a total cash consideration of RMB18,383,000.

(f) On 17 May 2017, In Good transferred its 17 shares of the Company to Elite Foster International Investment Limited ("**Elite Foster**") (a pre-IPO investor).

(g) On 18 May 2017, Elite Foster subscribed for 40 shares of the Company at cash consideration of HK$13,860,000 (approximately RMB12,165,000). After the aforesaid subscription of shares, the Company was owned as to 85% by Rich Blessing and 15% by Elite Foster.

(h) On 23 May 2017 and 1 June 2017, Elite Foster and Rich Blessing advanced shareholders' loans in the amounts of HK$1,140,000 (approximately RMB992,000) (the "Elite Foster Shareholder's Loan") and HK$21,500,000 (approximately RMB18,700,000) (the "Rich Blessing Shareholder's Loan"), respectively, to the Company.

(i) On 1 June 2017, Total United acquired the entire issued shares of Eternity Technology Development Limited from Mr. Ma at cash consideration of HK$1,800,000 (approximately RMB1,566,000).

(j) On 8 June 2017, the Company capitalised the full amount of the Rich Blessing Shareholder's Loan and Elite Foster Shareholder's Loan by allotment and issuing of 85 and 15 ordinary shares of the Company, credited as fully paid, to Rich Blessing and Elite Foster, respectively. After the aforesaid loan capitalisation, the Company remained owned as to 85% by Rich Blessing and 15% by Elite Foster.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

* For identification purpose only

2. BASIS OF PRESENTATION

The companies now comprising the Group and the Listing Business were controlled by the same ultimate controlling party immediately before and after the Reorganisation with no change in their business substance or management. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the interim financial information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial information has been prepared by including the financial information of the companies now comprising the Group engaged in the Listing Business, as if the current group structure had been in existence throughout the periods presented.

The net assets of the combining companies were combined using the existing book values before the Reorganisation. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the HKICPA.

This interim financial information should be read in conjunction with the Accountant's Report included in Appendix I to the Company's listing prospectus dated 3 August 2018 (the "**Prospectus**"), which has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

The accounting policies applied and methods of computation used in the preparation this interim financial information are consistent with those used in the Accountant's Report included in Appendix I to the Prospectus.

(b) New and amended standards adopted by the Group

The Group has adopted HKFRS 15 using the full retrospective approach with which the relevant accounting policies have been consistently applied to the Group's interim financial information throughout the periods presented. The Group has also adopted HKFRS 9 using the modified retrospective approach with which the cumulative impact of the adoption, if any, will have been recognised in the retained earnings as of 1 January 2018 and that comparatives will not be restated.

Pursuant to the adoption of HKFRS 9 and HKFRS 15, there have been changes to certain of the Group's accounting policies. HKFRS 15 replaces both the provisions of HKAS 18 and HKAS 11 and the related interpretations that relate to the recognition, classification and measurement of revenue and costs. HKFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and a new impairment model for financial assets.

The adoption of HKFRS 9 did not result in any restatement of comparative financial information or any impact to the retained earnings as of 1 January 2018 or any impact to the interim financial information for the six months ended 30 June 2018.

(c) Impact of standards, amendments and interpretations issued but not yet applied by the Group

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

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019

The Group will adopt the above new standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below is the expected impact on the Group's financial performance and position:

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in the Accountant's Report included in Appendix I to the Prospectus. The Group's future operating lease commitments, which are not reflected in the condensed consolidated balance sheet, falling due as follows:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**8,131**	7,635
Later than 1 year and no later than 5 years	**5,392**	5,542
	13,523	13,177

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the consolidated income statement, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the reporting period beginning 1 January 2019. Early adoption is permitted only if HKFRS 15 is adopted at the same time.

Management has performed a preliminary assessment on the implementation of HKFRS 16 and the initial results indicated that it would not result in any significant impact on the Group's financial position and results of operation other than increase in assets and financial liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

Other than those analysed above, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standard.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged the business of EMS.

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.

During the six months ended 30 June 2018 and 2017, all of the Group's revenues are from contracts with customers and are recognised at a point in time.

(a) Segment revenue by customers' geographical location

The Group is domiciled in the People's Republic of China (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	
	2018	2017
	RMB'000	RMB'000
The PRC	**223,987**	189,733
The United States of America	**3,107**	5,444
Mexico	**30,436**	12,809
Others (Note)	**7,207**	5,637
	264,737	213,623

Note:

Others include Hong Kong, South Korea, Taiwan and Austria.

(b) Non-current assets by geographical location

As at 30 June 2018 and 31 December 2017, all of the Group's non-current assets other than deferred income tax assets and intangible assets are located in the PRC.

5. EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of raw materials used	**188,316**	137,215
Consumable	**1,601**	1,744
Subcontracting charges	**13,167**	16,501
Employee benefit expenses and manpower service expenses, including directors' emoluments	**16,346**	18,549
Operating lease rentals in respect of:		
– machinery	**5,019**	2,029
– offices, warehouses, production plant and staff quarters	**1,569**	1,333
Utilities	**1,451**	1,421
Depreciation	**840**	821
Amortisation	**207**	178
Listing expenses	**7,173**	4,607
Professional fees	**904**	27
Office expenses	**526**	183
Provision for inventories	**150**	1,071
Other tax and surcharges	**504**	863
Transportation	**2,060**	1,142
Service fees for product development	**1,663**	2,262
Commission expenses	**458**	513
Repair and maintenance	**740**	428
Others	**2,107**	1,757
Total cost of sales, selling and distribution and administrative expenses	**244,801**	192,644

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit (2017: 16.5%).

The Group's subsidiary in the PRC has qualified for new/high-tech technology enterprises status and is therefore subject to corporate income tax ("**CIT**") at a preferential income tax rate of 15% (2017: 15%).

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax		
- PRC CIT	**2,803**	3,343
- Hong Kong profits tax	**1,346**	395
	4,149	3,738
Deferred income tax	**182**	179
Income tax expense	**4,331**	3,917

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2018 and 2017. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed and the capitalisation of shares.

	Unaudited six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**17,414**	17,493
Weighted average number of ordinary shares in issue (thousands of shares)	**225,000**	202,272
Basic and diluted earnings per share (RMB cents per share)	**7.74**	8.65

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 2018 and 2017.

8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2018 and 2017.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Total		
Prepayments	**38,044**	3,851
Deposits (Note a)	**4,946**	4,815
Other receivables (Notes a and b)	**195**	674
Prepaid listing expenses (Note c)	**3,344**	1,486
	46,529	10,826
Less: non-current portion		
Deposits	**(536)**	(401)
Prepayments for the acquisition of properties, plant and equipment	**(1,659)**	—
	(2,195)	(401)
Current portion	**44,334**	10,425

Notes:

(a) As at 30 June 2018 and 31 December 2017, the carrying amounts of deposits and other receivables approximated their fair values.

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

(c) The prepaid listing expenses were incurred in connection with the listing of the Company which took place on 16 August 2018.

10. TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Trade receivables	**168,445**	61,490
Bills receivables	**1,437**	9,600
Less: allowance for impairment of trade and bills receivables	**—**	—
	169,882	71,090

As at 30 June 2018 and 31 December 2017, the carrying amounts of 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 2018 and 31 December 2017, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
1 to 3 months	**167,541**	69,248
Over 3 months	**2,341**	1,842
	169,882	71,090

11. TRADE PAYABLES

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Trade payables	**164,489**	55,632

As at 30 June 2018 and 31 December 2017, the aging analysis of trade payables, based on invoice date, was as follows:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Within 1 month	**66,248**	24,467
1 to 2 months	**43,768**	13,976
2 to 3 months	**43,543**	11,183
Over 3 months	**10,930**	6,006
	164,489	55,632

As at 30 June 2018 and 31 December 2017, the carrying amounts of trade payables approximated their fair values.

12. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Other payables	**4,892**	2,548
Other tax payables	**4,318**	5,743
Accruals	**10,256**	10,847
Accrued listing expenses	**2,049**	562
Contract liabilities	**18,675**	11,389
	40,190	31,089

As at 30 June 2018 and 31 December 2017, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

BUSINESS REVIEW

The Company was incorporated in the Cayman Islands on 15 March 2017, and the Group is principally engaged in the business of 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.

The Company's shares (the "**Shares**") have been successfully listed on the Main Board of the Stock Exchange on 16 August 2018 (the "**Listing Date**"), which is a significant milestone in the Company's history and strategic development. The successful listing of the Shares and net proceeds from the public offer and placing of our Shares (the "**Share Offer**") will enhance our corporate profile and strengthen our financial position which enable us to implement our business strategies. Because of the short period between the Listing Date and the date of this announcement, the Group is still in the preliminary stages of implementing its business strategies and initiatives as set out in the Prospectus.

The continuous growth in the EMS industry has been driven by the booming market for electronics products, advancement in manufacturing technology, adoption and implementation of favorable policies which include a strategic plan entitled "Made in the PRC 2025 中國製造 2025" by the PRC Government. During the Review Period, the Group recorded growth in both turnover and gross profit. The Group had a robust growth trend in the sales of PCBAs and fully-assembled electronic products and a turnover of approximately RMB264.7 million was recorded for the Review Period, representing an increase of approximately 23.9% as compared with the corresponding period in 2017. The revenue derived from fully-assembled electronic products increased by approximately 25.6%, particularly revenue derived from mobile point-of-sale (the "**mPOS**") increased by approximately 17.1% to RMB163.4 million, for the Review Period over the corresponding period in 2017 as a result of an increase in purchase orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC.

Business Strategies

Looking forward to the second half of 2018, the Group will strive to sustain long-term growth in our current business and strengthen our production capacity to secure more business opportunities by implementing the following business strategies:

- Expand our production capacity and enhance our production efficiency
- Convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse to align with our production capacity expansion
- Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenue by Geographical Location

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

	Revenue for the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
The PRC	**223,987**	189,733
The United States of America	**3,107**	5,444
Mexico	**30,436**	12,809
Others (Note)	**7,207**	5,637
	264,737	213,623

Note: Others include Hong Kong, South Korea, Taiwan and Austria.

Revenue by Product Type

During the Review Period and the corresponding period in 2017, 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 2017 respectively:

	Revenue for the six months ended 30 June			**% of total revenue for the six months ended 30 June**		
	2018	2017	Change	**2018**	2017	Change
	RMB'000	RMB'000	%	**%**	%	%
PCBAs	**55,465**	46,955	18.1	**21.0**	22.0	(1.0)
Fully-assembled electronic products	**209,272**	166,668	25.6	**79.0**	78.0	1.0
Total	**264,737**	213,623	23.9	**100.0**	100.0	

PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our revenue generated from sales of PCBAs increased by approximately 18.1% from approximately RMB47.0 million for the corresponding period in 2017 to approximately RMB55.5 million for the Review Period, primarily due to the increase in demand on the PCBAs for smart device and telecommunication.

Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with the PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS, photovoltaic inverters and tablets, are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from sales of fully-assembled electronic products increased by approximately 25.6% from approximately RMB166.7 million for the corresponding period in 2017 to approximately RMB209.3 million for the Review Period, primarily due to an increase in purchase orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC and the increasing sales orders of tablets from an overseas customer.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Review Period was approximately RMB41.0 million, representing an increase of approximately RMB4.4 million or 11.9% as compared with RMB36.6 million for the corresponding period in 2017. Overall gross profit margin decreased from 17.1% for the corresponding period in 2017 to 15.5% for the Review Period.

	Gross profit for the six months ended 30 June			**Gross profit margin for the six months ended 30 June**		
	2018	2017	Change	**2018**	2017	Change
	RMB'000	RMB'000	%	**%**	%	%
PCBAs	**9,511**	8,445	12.6	**17.1**	18.0	(0.9)
Fully-assembled electronic products	**31,442**	28,148	11.7	**15.0**	16.9	(1.9)
Total	**40,953**	36,593	11.9	**15.5**	17.1	(1.6)

PCBAs

The gross profit derived by the sales of PCBAs increased by approximately 12.6% to approximately RMB9.5 million for the Review Period (six months ended 30 June 2017: RMB8.4 million). The gross profit margin decreased to approximately 17.1% for the Review Period (six months ended 30 June 2017: 18.0%), which primarily resulted from the increase in the cost of raw materials and changes of product mix.

Fully-assembled electronic products

The gross profit derived by the sales of fully-assembled electronic products increased by approximately 11.7% to approximately RMB31.4 million for the Review Period (six months ended 30 June 2017: RMB28.1 million). The gross profit margin decreased to approximately 15.0% for the Review Period (six months ended 30 June 2017: 16.9%), which was mainly due to the decrease in gross profit margin of mPOS as we offered a more competitive price to our customers than that of 2017 in view of the increasing demand.

Other Income

Other income of the Group for the Review Period of approximately RMB2.3 million comprises discretionary government grants received by the Group, where no grant was received in the corresponding period in 2017.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses; (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 RMB6.2 million (six months ended 30 June 2017: RMB4.6 million), representing an increase of approximately 34.1% as compared to the corresponding period of 2017. Selling and distribution expense ratio remained stable at approximately 2.3% and 2.2% against revenue for the Review Period and the corresponding period in 2017, respectively.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses including 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 RMB14.8 million (six months ended 30 June 2017: RMB11.0 million), representing an increase of approximately 34.8% as compared to the corresponding period of 2017. The increase was mainly due to the increase in the listing expenses by approximately RMB2.6 million as a result of the listing of the Company in August 2018.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB82.6 million as at 30 June 2018 (31 December 2017: RMB69.5 million). The current ratio of the Group decreased from approximately 1.7 as at 31 December 2017 to 1.4 as at 30 June 2018.

Borrowings and the Pledge of Assets

The bank borrowings of the Group amounted to approximately RMB12.7 million as at 30 June 2018 (31 December 2017: RMB5.0 million). As at 30 June 2018, the borrowings were secured by our inventories, properties, plant and equipment, a pledged bank deposit, a personal guarantee from Mr. Ma Fujun and a corporate guarantee from a subsidiary of our Company. As at 31 December 2017, the borrowings were secured by properties, plant and equipment and a personal guarantee from Mr. Ma Fujun.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 12.3% and 5.8% as at 30 June 2018 and 31 December 2017 respectively. During the Review Period, we have increased our bank borrowings by approximately RMB7.7 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations.

Capital Structure

The Shares were listed on the Stock Exchange on 16 August 2018. 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, Hong Kong dollar ("HK$") and the United States dollar ("US$"), and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than US$, HK$ or RMB. During the Review Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2018, the Group had 381 employees with a total remuneration of approximately RMB16.3 million during the Review Period (six months ended 30 June 2017: RMB18.5 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

SIGNIFICANT INVESTMENTS HELD

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

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the Prospectus 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 received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share offer were approximately HK$96.7 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to the date of this announcement, the net proceeds from the Share Offer had been applied as follows:

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2018 (31 December 2017: Nil).

SHARE OPTION SCHEME

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

As the Shares were not yet listed on the Main Board of the Stock Exchange as at 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Review Period.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 25 July 2018 with terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 (the "**Code**") to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control 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. The auditor's independent review report will be included in the 2018 interim report of the Company.

The comparative information for the condensed consolidated balance sheet is based on the audited financial statements as at 31 December 2017. The comparative information for the condensed consolidated income statement and the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2017 has not been audited or reviewed.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2017: Nil).

EVENTS AFTER REPORTING PERIOD

Pursuant to the written resolutions passed by the shareholders on 25 July 2018, conditional on the share premium account of the Company being credited as a result of the issuance of shares by the Company for listing, 224,999,520 shares were allotted and issued to the shareholders of the Company whose names appear on the register of members of the Company as at 25 July 2018 in proportion to their then shareholdings in the Company through the capitalisation of HK$2,249,995.20 standing to the credit of the share premium account of the Company.

On 16 August 2018, pursuant to the initial public offering of the Company's shares, the Company issued a total 75,000,000 shares at a price of HK$1.75 per share.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.szeternity.com). The interim report of the Company for the six months ended 30 June 2018 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, 31 August, 2018

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