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

2019
INTERIM REPORT

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS
Mr. Ma Fujun *(Chairman and Chief Executive Officer)*
Ms. Chen Xiaoyuan
Mr. Cheng Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wu Chi-luen
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

AUDIT COMMITTEE
Mr. Wu Chi-luen *(Chairman)*
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

NOMINATION COMMITTEE
Mr. Ma Fujun *(Chairman)*
Mr. Chan Chung Kik, Lewis
Mr. Wu Chi-luen

REMUNERATION COMMITTEE
Mr. Wu Chi-luen *(Chairman)*
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

AUTHORISED REPRESENTATIVES
Mr. Ma Fujun
Ms. Xu Jing

COMPANY SECRETARY
Ms. Xu Jing

REGISTERED OFFICE IN CAYMAN ISLANDS
Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

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Shenzhen, Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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PRINCIPAL BANKS
The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Shenzhen Huanggang Branch
Bank of China (Hong Kong) Limited

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wan Chai
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Stock Name
Eternity Tech

COMPLIANCE ADVISERS

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Hong Kong

LEGAL ADVISER

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Units 2201-3, Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Stock code: 1725.HK

CORPORATE WEBSITE ADDRESS

www.szeternity.com

STOCK CODE

1725

Financial Highlights

FINANCIAL HIGHLIGHTS

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

- Revenue of the Group for the Review Period was approximately RMB271.9 million, representing a slight increase of approximately 2.7% as compared with approximately RMB264.7 million for the corresponding period in 2018.
- Gross profit of the Group for the Review Period was approximately RMB34.1 million, representing a decrease of approximately 16.7% as compared with approximately RMB41.0 million for the corresponding period in 2018.
- Profit attributable to equity holders of the Company for the Review Period was approximately RMB17.9 million, represented an increase of approximately 2.8% as compared with approximately RMB17.4 million for the corresponding period in 2018 and represented a decrease of approximately 27.3% as compared with the Group's adjusted profit of approximately RMB24.6 million (which excluded the listing expenses of approximately RMB7.2 million) for the corresponding period in 2018.
- Basic and diluted earnings per share attributable to equity holders of the Company is RMB5.97 cents for the Review Period.

BUSINESS REVIEW

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

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

Business Strategies

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

- Continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance our production efficiency;
- Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base.

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

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

Note:

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

Management Discussion and Analysis

Revenue by Product Type

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

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

PCBAs

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

Fully-assembled electronic products

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

Gross Profit and Gross Profit Margin

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

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

PCBAs

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

Fully-assembled electronic products

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

Other Income

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs, Net

Our finance costs mainly comprised interest expense on borrowings 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 RMB0.4 million (six months ended 30 June 2018: approximately RMB0.4 million). The net finance costs remained stable as a result of the net effect of the increased borrowings and the decreased average charge rate.

Income Tax Expense

Income tax expense amounted to approximately RMB3.6 million for the Review Period (six months ended 30 June 2018: approximately RMB4.3 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 2016 to 2018, and it is currently in the process of renewal application and expects to receive the assessment result by the end of 2019. Before the assessment result is released, the income tax expense of Shenzhen Eternity for the six months ended 30 June 2019 is calculated at a standard rate of 25%.

* *For identification purpose only*

Management Discussion and Analysis

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 increased by approximately 2.8% from approximately RMB17.4 million for the corresponding period in 2018 to approximately RMB17.9 million for the Review Period. The Group's net profit margin remained stable at approximately 6.6% for the corresponding period in 2018 and the Review Period. Excluding the listing expenses of approximately RMB7.2 million for the corresponding period in 2018, the Group's adjusted net profit margin decreased from approximately 9.3% for the corresponding period in 2018 to approximately 6.6% for the Review Period, which was consistent with the decrease in the gross profit margin, due to a more competitive price offered to our existing and new customers and the increase in labor cost and depreciation expenses as a result of the addition of machinery at the end of 2018.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

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

Borrowings and the Pledge of Assets

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

Gearing Ratio

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

Capital Structure

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

Foreign Exchange Exposure and Exchange Rate Risk

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

Capital Expenditure

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

INTERIM DIVIDEND

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

EMPLOYEES AND EMOLUMENTS POLICY

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

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer made pursuant to the Prospectus (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK$96.7 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to the date of this report, 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 report** (HK$ million)
Expand our production capacity and enhance our production efficiency	64.7	41.7
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	—
Further strengthen our research and development capabilities	4.5	1.9
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.3
General working capital of our Group	6.7	2.8
	96.7	46.7

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

CAPITAL COMMITMENT

As at 30 June 2019, the Group's capital commitment amounted to approximately RMB8.5 million (31 December 2018: approximately RMB1.4 million), respectively. The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency.

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.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Review Period, 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 2019 (31 December 2018: Nil).

EVENTS AFTER REPORTING PERIOD

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

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company ("**Director**" or "**Directors**") had a material interest, whether directly or indirectly, subsisted at the end of the Review Period or at any time during the Review Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019 and the date of this report, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") are as follows:

(i) Interests in our Company

Name of Director	Nature of interest	Number of Shares held/ interested(1)	Percentage of shareholding (%)
Mr. Ma Fujun ("**Mr. Ma**")	Interest of a controlled corporation(2)	191,250,000(L)	63.75

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares are held by Rich Blessing Group Limited ("**Rich Blessing**"). Rich Blessing is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen Xiaoyuan ("**Ms. Chen**"), 14.89% by Ms. Cheng Lihong ("**Ms. Cheng**") and 2.20% by Mr. Cheng Bin ("**Mr. Cheng**"). Mr. Ma, Ms. Chen and Mr. Cheng are our Executive Directors. Mr. Ma is also the sole director of Rich Blessing. Therefore, Mr. Ma is deemed or taken to be interested in the Shares held by Rich Blessing under the SFO.

(ii) Interests in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested(1)	Percentage of shareholding (%)
Mr. Ma(2)	Rich Blessing	Beneficial owner; interest of spouse	7,780(L)	77.80
Ms. Chen	Rich Blessing	Beneficial owner	2,000(L)	20.00
Mr. Cheng	Rich Blessing	Beneficial owner	220(L)	2.20

Notes:

(1) The letter "L" denotes the person's long position in the shares of the relevant associated corporation.

(2) Ms. Cheng is the spouse of Mr. Ma. Therefore, Mr. Ma is deemed or taken to be interested in the shares in Rich Blessing held by Ms. Cheng under the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at the date, or any of their spouses or children under the age of 18 to recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed herein, at no time during the Review Period and up to the date of this report was the Group a party to any arrangements to enable the Directors, or any of their spouses or children under the age of 18 to acquire by means of acquisition of shares in, or debt securities, and including debentures, of the Group or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2019 and the date of this report, the following corporations/persons (other than our Directors and chief executives of the Company) had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held/ interested[1]	Percentage (%)
Rich Blessing	Beneficial owner	191,250,000[L]	63.75
Ms. Cheng	Interest of spouse[2]	191,250,000[L]	63.75
Elite Foster International Investment Limited ("**Elite Foster**")	Beneficial owner[3]	33,750,000[L]	11.25
Mr. Lu Wan Ching	Interest of a controlled corporation[3]	33,750,000[L]	11.25
Ms. Wong Yuk Ting	Interest of spouse[4]	33,750,000[L]	11.25

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Cheng is the spouse of Mr. Ma. Therefore, Ms. Cheng is deemed or taken to be interested in the Shares held by Mr. Ma under the SFO.

(3) The Shares are held by Elite Foster, which is wholly owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed or taken to be interested in the Shares held by Elite Foster under the SFO.

(4) Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed or taken to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, as at the date of this report which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Review Period and up to the date of this report, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

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 report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

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

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report has been included in page 15 of this report.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") on 25 July 2018 with terms of reference in compliance with the Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of our Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting.

Corporate Governance and Other Information

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 25 July 2018 with terms of reference in compliance with the Code for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee comprises one Executive Director, Mr. Ma (Chairman) and two Independent Non-executive Directors, namely Mr. Chan Chung Kik Lewis and Mr. Wu Chi-luen.

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.

CHANGE OF PARTICULARS OF THE DIRECTORS

As at the date of this report, none of the Director nor their respective biographical information had been changed since the date of the Company's 2018 annual report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

By order of the Board
Ma Fujun
Chairman & Executive Director

Hong Kong
29 August 2019

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF ETERNITY TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 40, which comprises the condensed consolidated balance sheet of Eternity Technology Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2019 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2019

Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2019

	Note	Unaudited six months ended 30 June **2019** **RMB'000**	 2018 RMB'000
Revenue	6	**271,912**	264,737
Cost of sales	7	**(237,817)**	(223,784)
Gross profit		**34,095**	40,953
Other income	8	**3,162**	2,308
Selling and distribution expenses	7	**(7,126)**	(6,181)
Administrative expenses	7	**(8,437)**	(14,836)
Other gains/(losses), net	9	**281**	(137)
Operating profit		**21,975**	22,107
Finance income		**197**	45
Finance costs		**(630)**	(407)
Finance costs, net		**(433)**	(362)
Profit before income tax		**21,542**	21,745
Income tax expense	10	**(3,639)**	(4,331)
Profit for the period attributable to equity holders of the Company		**17,903**	17,414
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	**RMB5.97 cents**	RMB7.74 cents

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Comprehensive Income

For The Six Months Ended 30 June 2019

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

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	13	**54,415**	51,247
Intangible assets	14	**1,361**	1,618
Prepayments and deposits	15	**14,178**	456
Deferred income tax assets		**1,602**	501
		71,556	53,822
Current assets			
Inventories	16	**59,356**	48,714
Contract assets	17	**6,222**	10,699
Trade and bills receivables	17	**124,704**	111,955
Prepayments, deposits and other receivables	15	**14,494**	10,466
Pledged bank deposits		**11,233**	3,300
Bank deposits with initial terms of over three months		**56**	—
Cash and cash equivalents		**150,500**	137,678
		366,565	322,812
Total assets		**438,121**	376,634
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**2,619**	2,619
Share premium		**110,868**	110,868
Retained earnings		**89,594**	73,656
Reserves		**23,993**	22,148
Total equity		**227,074**	209,291
LIABILITIES			
Non-Current liabilities			
Lease liabilities	18	**1,729**	—
Deferred government grants		**1,396**	—
		3,125	—
Current liabilities			
Trade and bills payables	19	**133,659**	107,624
Other payables and accruals	20	**20,722**	22,070
Finance lease liability		**—**	10,966
Lease liabilities	18	**11,801**	—
Contract liabilities	20	**15,990**	18,614
Bank borrowings		**17,302**	2,200
Current income tax liabilities		**8,448**	5,869
		207,922	167,343
Total liabilities		**211,047**	167,343
Total equity and liabilities		**438,121**	376,634

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2019

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital RMB'000	**Share premium RMB'000**	**Statutory reserve RMB'000**	**Other reserve RMB'000**	**Exchange reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
Balance at 1 January 2019, as previously reported	**2,619**	**110,868**	**8,858**	**12,662**	**628**	**73,656**	**209,291**
Impact on initial adoption of HKFRS 16 (Note 3)	**—**	**—**	**—**	**—**	**—**	**(206)**	**(206)**
Balance at 1 January 2019, as restated	**2,619**	**110,868**	**8,858**	**12,662**	**628**	**73,450**	**209,085**
Comprehensive income:							
Profit for the period	**—**	**—**	**—**	**—**	**—**	**17,903**	**17,903**
Other comprehensive income:							
Item that may be subsequently reclassified to profit or loss							
Currency translation difference	**—**	**—**	**—**	**—**	**86**	**—**	**86**
Total comprehensive income	**—**	**—**	**—**	**—**	**86**	**17,903**	**17,989**
Transaction with owners							
Appropriation (Note a)	**—**	**—**	**1,759**	**—**	**—**	**(1,759)**	**—**
Total transaction with owners	**—**	**—**	**1,759**	**—**	**—**	**(1,759)**	**—**
Balance at 30 June 2019	**2,619**	**110,868**	**10,617**	**12,662**	**714**	**89,594**	**227,074**

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	—	12,165	6,316	12,662	(388)	55,604	86,359
Comprehensive income:							
Profit for the period	—	—	—	—	—	17,414	17,414
Other comprehensive income:							
Item that may be subsequently reclassified to profit or loss							
Currency translation differences	—	—	—	—	88	—	88
Total comprehensive income	—	—	—	—	88	17,414	17,502
Balance at 30 June 2018	—	12,165	6,316	12,662	(300)	73,018	103,861

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2019

Notes:

(a) The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current period. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For The Six Months Ended 30 June 2019

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operation	**12,546**	(16,254)
Income tax paid	**(2,132)**	(1,675)
Interest received	**197**	45
Net cash generated from/(used in) operating activities	**10,611**	(17,884)
Cash flows from investing activities		
Purchase of properties, plant and equipment	**(2,310)**	(4,728)
Proceeds from disposal of properties, plant and equipment	**—**	12
Purchase of intangible assets	**—**	(362)
Receipt of government grants	**1,827**	—
Net cash used in investing activities	**(483)**	(5,078)
Cash flows from financing activities		
Proceeds from bank borrowings	**18,811**	10,666
Repayments of bank borrowings	**(3,881)**	(2,936)
Interest paid	**(567)**	(407)
Change in pledged bank deposits	**(7,933)**	(7,593)
Change in bank deposits with initial terms of over three months	**(56)**	—
Payments of listing expenses	**—**	(1,834)
Payments of principal element of lease liabilities	**(3,119)**	—
Net cash generated from/(used in) financing activities	**3,255**	(2,104)
Increase/(decrease) in cash and cash equivalents	**13,383**	(25,066)
Cash and cash equivalents at beginning of the period	**137,678**	53,134
Currency translation differences	**(561)**	(394)
Cash and cash equivalents at end of the period	**150,500**	27,674

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

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

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

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

This interim financial information has been reviewed, not audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

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

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

(a) HKFRS 16 "Leases"

(b) Annual improvements 2015-2017 Cycle

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

(a) Adjustments recognised on adoption of HKFRS 16

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

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

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

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

The carry amounts of right-of-use assets by class of underlying asset are as below:

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

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

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

(i) Impact on earnings per share

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

(ii) Practical expedients applied

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Termination options

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

Judgements in determining the lease term and discount rate

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

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

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

4 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 2018.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2018. There have been no significant changes in the risk management policies since the year end.

(b) Fair value estimation

The carrying amounts of the Group's financial assets including trade and bills receivables, deposits and other receivables, pledged bank deposits, bank deposits with initial terms of over three months and cash and cash equivalents; and financial liabilities including trade and bills payables, other payables and accruals, lease liabilities and bank borrowings, approximate their fair values as at 30 June 2019 and 31 December 2018.

6 REVENUE AND SEGMENT INFORMATION

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

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

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

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

(a) Disaggregation of revenue from contracts with customers

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

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

(b) Segment revenue by customers' geographical location

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

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

Note:

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

(c) Non-current assets by geographical location

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

7 EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cost of raw materials used	**203,730**	188,316
Consumables	**1,765**	1,601
Subcontracting charges	**10,331**	13,167
Employee benefit expenses and manpower service expenses, including Directors' emoluments (Note 22)	**20,605**	16,346
Rental expenses of short-term leases in respect of machinery	**1,918**	—
Operating lease rentals in respect of:		
– machinery	**—**	5,019
– offices, warehouses, production plant and staff quarters	**—**	1,569
Utilities	**1,704**	1,451
Depreciation (Note 13)	**4,602**	840
Amortisation (Note 14)	**257**	207
Listing expenses	**—**	7,173
Professional fees	**2,424**	904
Office expenses	**233**	526
(Reversal of)/provision for inventories (Note 16)	**(2,010)**	150
Other tax and surcharges	**240**	504
Transportation	**2,110**	2,060
Service fees for product development	**1,496**	1,663
Commission expenses	**518**	458
Repair and maintenance	**193**	740
Others	**3,264**	2,107
Total cost of sales, selling and distribution expenses and administrative expenses	**253,380**	244,801

8 OTHER INCOME

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants	**3,162**	2,308

9 OTHER GAINS/(LOSSES), NET

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Exchange differences	**283**	(31)
Loss on disposal of properties, plant and equipment	**(2)**	(106)
	281	(137)

10 INCOME TAX EXPENSE

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

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

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

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

11 EARNINGS PER SHARE

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

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

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

12 DIVIDENDS

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

13 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
As at 1 January 2019 (audited)							
Cost	—	6,015	484	2,859	93,197	3,130	105,685
Accumulated depreciation	—	(1,585)	(474)	(1,494)	(49,252)	(1,633)	(54,438)
Net book amount (as previously presented)	—	4,430	10	1,365	43,945	1,497	51,247
Change in accounting policy							
Cost	22,082	—	—	—	(12,699)	—	9,383
Accumulated depreciation	(3,921)	—	—	—	—	—	(3,921)
	18,161	—	—	—	(12,699)	—	5,462
Restated as at 1 January 2019							
Cost	22,082	6,015	484	2,859	80,498	3,130	115,068
Accumulated depreciation	(3,921)	(1,585)	(474)	(1,494)	(49,252)	(1,633)	(58,359)
Net book amount (restated)	18,161	4,430	10	1,365	31,246	1,497	56,709
Six months ended 30 June 2019 (unaudited)							
Opening net book amount	18,161	4,430	10	1,365	31,246	1,497	56,709
Additions	—	—	—	79	2,231	—	2,310
Depreciation	(1,928)	(150)	(7)	(263)	(2,081)	(173)	(4,602)
Disposals	—	—	—	—	(2)	—	(2)
Closing net book amount	16,233	4,280	3	1,181	31,394	1,324	54,415
As at 30 June 2019 (unaudited)							
Cost	22,082	6,015	484	2,907	82,577	3,131	117,196
Accumulated depreciation	(5,849)	(1,735)	(481)	(1,726)	(51,183)	(1,807)	(62,781)
Net book amount	16,233	4,280	3	1,181	31,394	1,324	54,415

13 PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

	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
As at 1 January 2018							
Cost	—	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	—	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	—	4,731	24	1,468	6,950	680	13,853
Six months ended 30 June 2018 (unaudited)							
Opening net book amount	—	4,731	24	1,468	6,950	680	13,853
Additions	—	—	—	179	3,002	465	3,646
Depreciation	—	(100)	(5)	(164)	(482)	(98)	(849)
Disposals	—	—	—	—	(118)	—	(118)
Closing net book amount	—	4,631	19	1,483	9,352	1,047	16,532

The recognised right-of-use assets are related to buildings and plant and machinery.

14 INTANGIBLE ASSETS

(a) Acquisitions

During the six months ended 30 June 2019, there is no acquisitions of any items of software system (30 June 2018: RMB362,000).

(b) Amortisation

During the six months ended 30 June 2019, amortisation expenses of approximately RMB62,000 (30 June 2018: RMB24,000) and RMB195,000 (30 June 2018: RMB183,000) have been charged in administrative expenses and cost of sales respectively.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

16 INVENTORIES

During the six months ended 30 June 2019, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB237,590,000 (30 June 2018: RMB223,279,000), which included reversal of inventory provision amounting to approximately RMB2,010,000 (30 June 2018: provision of inventory amounting to approximately RMB150,000).

17 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

18 LEASES

(a) Amounts recognised in the condensed consolidated balance sheet

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

	Unaudited 30 June 2019 RMB'000
Right-of-use assets*	
Properties	4,170
Plant and machinery	12,063
	16,233

* The balances were included in Note 13 "Properties, plant and equipment".

	Unaudited 30 June 2019 RMB'000
Lease liabilities	
Non-current portion	1,729
Current portion	11,801
	13,530

Certain 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 30 June 2019, the remaining contractual maturities of the Group's lease liabilities were as follows:

	Unaudited 30 June 2019 RMB'000
The minimum lease payments were as follows:	
Within one year	6,979
Later than one year and not later than five years	7,239
Total minimum lease payments	14,218
Future finance charges	(688)
Total lease liability	13,530
The present value of the minimum lease payments were as follows:	
Within one year	6,488
Later than one year and not later than five years	7,042
	13,530

18 LEASES (CONTINUED)

(b) Amounts recognised in the condensed consolidated income statement

The condensed consolidated income statement shows the following amounts relating to leases:

	Unaudited Six months ended 30 June 2019 RMB'000
Depreciation charge of right-of-use assets	
Properties	1,292
Plant and machinery	636
	1,928
Finance costs on leases	359
Rental expenses of short-term leases in respect of machinery	1,918

(c) Amounts recognised in the condensed consolidated statement of cash flows

During the six months 30 June 2019, the total cash outflows for leases were analysed as below:

	2019 RMB'000
Cash flows from operating activities*	
Payments for short-term leases in respect of machinery	1,918
Cash flows from financing activities	
Payment of interest element of lease liabilities	359
Payment of principal element of lease liabilities	3,119
The total cash outflow of leases	5,396

* 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.

Notes to the Condensed Consolidated Interim Financial Information

19 TRADE AND BILLS PAYABLES

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

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

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

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

20 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

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

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

21 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Contracted but not provided for	**8,469**	1,370

22 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and controlling shareholder of the Group are disclosed in Note 1.

(a) Transactions with related parties

Save as disclosed elsewhere in the interim financial information, during the six months ended 30 June 2019 and 2018, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Personal guarantees provided by Mr. Ma and Ms. Cheng Lihong

During the six months ended 30 June 2018, certain of the Group's bank loans were secured by personal guarantees from Mr. Ma and Ms. Cheng Lihong. The personal guarantee were released and replaced by the corporate guarantee provided by the Company upon listing.

(ii) Office rental and management fees paid to a related company

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (Note)	**392**	270

Note:

Rental and management fees were charged based on terms mutually agreed with the related party and in the ordinary course of business.

* *For identification purpose only*

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

Key management compensation including Directors' compensation paid or payable to key management for employee services is shown below:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**969**	1,192
Pension costs - defined contribution plan	**128**	107
	1,097	1,299

(c) Balance arising from related party transactions

	Unaudited 30 June 2019	Audited 31 December 2018
	RMB'000	RMB'000
Rental deposit paid to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	**119**	119

Balance was unsecured, interest free and repayable within two years from the period/year end. Its carrying amount approximated its fair value.

* *For identification purpose only*

23 EVENTS AFTER REPORTING PERIOD

On 22 July 2019, the Group has won the bid for the auction for the land use rights of a piece of land located at Huizhou, the PRC, at a total consideration of RMB26,830,000.