

# 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

# 2020

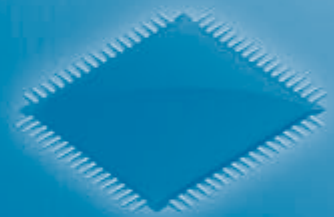
## INTERIM REPORT





# CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Corporate Governance and Other Information	12
Report on Review of Interim Financial Information	17
Condensed Consolidated Income Statement	18
Condensed Consolidated Statement of Comprehensive Income	19
Condensed Consolidated Balance Sheet	20
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	23
Notes to the Condensed Consolidated Interim Financial Information	24





## 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. Jian Xuegen

### COMPANY SECRETARY

Ms. Jian Xuegen

### REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HEADQUARTER AND PRINCIPAL

#### PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Block A2  
Yingzhan Industrial Park  
Longtian Community  
Longtian Street, Pingshan District  
Shenzhen, Guangdong  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 12th Floor  
Granville House  
41C Granville Road  
Tsim Sha Tsui  
Kowloon Hong Kong

### 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  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

# CORPORATE INFORMATION

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited

Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### **Stock Name**

Eternity Tech

## **AUDITOR**

**PricewaterhouseCoopers**

*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
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](http://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 2020 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2019.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

During the Review Period, trade friction between the United States of America and China became more and more tightened, bringing uncertainties to the future development of the world economy, and slowing down the economic growth of both China and the world. Further, the outbreak of the novel coronavirus (COVID-19) (the “**Novel Coronavirus Outbreak**”) in early 2020 started to halt social and economic activities seriously nationwide. In support of official infection prevention and containment policies, our production plant in Shenzhen suspended their operations for an extended period of time after the Chinese New Year. Under such adverse circumstances, the Group’s performance in the first half of 2020 was inevitably affected. After the resumption of our production plant, the Group has made efforts to speed up the production process in order to meet the delayed orders in the suspension period and as a result, certain production costs increased significantly in the second quarter of 2020. The above circumstances greatly affect the profitability of the Group for the Review Period.

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

## Business Strategies

Looking forward to the second half of 2020, the market and economic environment remains uncertain with the spread of the novel coronavirus (COVID-19) and the tightened friction between the United States of America and China, but the Group will strive to sustain long-term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities by implementing the following business strategies:

- Continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance our production efficiency;
- Continue to make efforts to expand our customer base to broaden the sources of revenue and diversify business risk;
- Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base; and
- Construct our own production plants instead of renting one to increase the interest of the shareholders in long term.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING RESULTS

#### Revenue by customer's geographical location

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

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

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

#### Revenue by Product Type

During the Review Period and the corresponding period in 2019, our revenue was generated by our two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Review Period and the corresponding period in 2019 respectively:

	Revenue for the six months ended 30 June			% of total revenue for the six months ended 30 June		
	2020 RMB'000	2019 RMB'000	Change %	2020	2019	Change
PCBAs	95,575	84,962	12.5	32.4	31.2	1.2
Fully-assembled electronic product	199,681	186,950	6.8	67.6	68.8	(1.2)
Total	<b>295,256</b>	<b>271,912</b>	<b>8.6</b>	<b>100.0</b>	<b>100.0</b>	

#### PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for two principal industries, namely, banking and finance and smart device. Our revenue generated from the sales of PCBAs increased by approximately 12.5% from approximately RMB85.0 million for the corresponding period in 2019 to approximately RMB95.6 million for the Review Period, primarily due to the increased orders from new customers developed in the Review Period and the second half year of 2019 for smart device products, which is partially offset by the decreased orders for banking and finance devices due to the spread of the novel coronavirus (COVID-19) throughout the world as these banking and finance devices were mainly exported overseas by the customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with the PCBAs primarily manufactured by us in-house mainly include mobile phones, mobile point-of-sale (“mPOS”) and tablets, are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from the sales of fully-assembled electronic products increased by approximately 6.8% from approximately RMB187.0 million for the corresponding period in 2019 to approximately RMB199.7 million for the Review Period, primarily due to the increased orders of mPOS products as the Group has continuously offered a more competitive price to customers since last year.

## Gross Profit and Gross Profit Margin

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

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

## PCBAs

The gross profit derived from the sales of PCBAs decreased by approximately 34.1% to approximately RMB8.9 million for the Review Period (six months ended 30 June 2019: approximately RMB13.4 million). The gross profit margin decreased to approximately 9.3% for the Review Period (six months ended 30 June 2019: approximately 15.8%), which primarily resulted from (i) fixed operation costs incurred during the suspension period of the Group’s plant due to the Novel Coronavirus Outbreak; (ii) orders from new customers for smart devices PCBAs with a lower gross profit margin due to fierce competition while orders from existing customers for banking and finance PCBAs with a higher gross profit decreased due to the spread of the novel coronavirus disease (COVID-19) throughout the world during the Review Period; and (iii) increased rental expenses of the equipment incurred to speed up the production process in order to meet the orders delayed in the first quarter of the customers after the resumption of our production plant.

## Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 71.1% to approximately RMB6.0 million for the Review Period (six months ended 30 June 2019: approximately RMB20.7 million). The gross profit margin decreased to approximately 3.0% for the Review Period (six months ended 30 June 2019: approximately 11.0%), which was mainly due to (i) fixed operation costs incurred during the suspension period of the Group’s plant; (ii) increased outsourcing fees incurred to speed up the production process in order to meet the orders delayed in the first quarter of the customers after the resumption of our production plant; and (iii) we offered a more competitive price to our mPOS customers in late 2019 due to fierce competition and the slowing down economic in China.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income

Other income of the Group for the Review Period of approximately RMB7.2 million comprises discretionary government grants received by the Group (six months ended 30 June 2019: approximately RMB3.2 million).

### Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our sales staff; (ii) transportation charges; (iii) sales commission paid to our sales agent in respect of customer introduction; and (iv) other expenses. For the Review Period, selling and distribution expenses amounted to approximately RMB6.1 million (six months ended 30 June 2019: approximately RMB7.1 million), representing a decrease of approximately 14.4% as compared to that in the corresponding period of 2019. The decrease in the selling and distribution expense was mainly due to that the Group decreased business trip and social activities in support of infection prevention and containment policies imposed by the government due to the Novel Coronavirus Outbreak.

### Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff; and (ii) professional fees. For the Review Period, administrative expenses amounted to approximately RMB10.1 million (six months ended 30 June 2019: approximately RMB8.4 million), representing an increase of approximately 20.1% as compared to that in the corresponding period of 2019. The increase in administrative expenses was mainly due to: (i) the increased professional fees incurred for the application of government grants received in the Review Period; and (ii) increased operating administrative expense for the newly incorporated subsidiaries in Huizhou, the PRC and Germany.

### Net Impairment Losses on Financial Assets

Net impairment losses on financial assets represented the provision of impairment of trade receivables. For the Review Period, impairment of approximately RMB4.6 million (six months ended 30 June 2019: Nil) were made against the trade receivables which were difficult to be recovered as these customers were in financial difficulties.

### Finance Costs, Net

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

### Income Tax Credit/Expense

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

\* 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 decreased by approximately 96.9% from approximately RMB17.9 million for the corresponding period in 2019 to approximately RMB0.6 million for the Review Period.

## LIQUIDITY AND CAPITAL RESOURCES

### Net Current Assets

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

### Borrowings, the Pledge of Assets and Restricted Cash

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks. The interest-bearing liabilities of the Group amounted to approximately RMB11.9 million as at 30 June 2020 (31 December 2019: approximately RMB16.4 million). The weighted average interest rate per annum of the Group's interest-bearing liabilities as at 30 June 2020 was 2.81% (31 December 2019: 4.13%). As at 30 June 2020 and 31 December 2019, interest-bearing liabilities were secured by properties, plant and equipment, a pledged bank deposit and a corporate guarantee by the Company. As at 30 June 2020, the bank deposits amounting to RMB15.2 million (31 December 2019: RMB7.5 million) were pledged in banks for issuing bills payables to the suppliers of the Group and for the facilities granted by banks. Also, a deposit of approximately RMB2.7 million was held in a designated bank account to guarantee the construction and investment in relation to the plant in Huizhou. The cash and cash equivalents, pledged bank deposits, short term bank deposits and restricted cash and bank borrowings were mainly denominated in Renminbi ("**RMB**"), Hong Kong Dollars ("**HK\$**") and United States Dollars ("**USD**") and Euros ("**EUR**").

### Gearing Ratio

Our gearing ratio, which is calculated by total borrowings, divided by total equity, was approximately 5.0% and 7.0% as at 30 June 2020 and 31 December 2019 respectively. The gearing remained low due to our low level of interest-bearing borrowings.

### Capital Structure

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

### Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK\$ and the USD and EUR and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK\$, USD, EUR or RMB. The Group does not have a hedging policy. During the Review Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB13.4 million (six months ended 30 June 2019: approximately RMB2.3 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, land use rights and construction of manufacturing plant.



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

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

### EMPLOYEES AND EMOLUMENTS POLICY

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

### USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer made pursuant to the Prospectus (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$96.7 million. As disclosed in the Company's announcement dated 16 July 2020 (the "**Change of Use of Proceeds Announcement**"), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of part of the unutilised Net Proceeds in the amount of approximately HK\$40.6 million originally allocated for (i) expand our production capacity and enhance our production efficiency; (ii) lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse; and (iii) upgrade our ERP system and enhance our capabilities in information technology, to construction of a production base in Huizhou. The following table sets forth the status of the use of revised allocation of the Net Proceeds as at 30 June 2020 and the date of the change of Use of Proceeds Announcement:

Business objectives as stated in the Prospectus	Use of proceeds as stated in the Prospectus and adjusted for the actual net proceeds (HK\$ million)	Actual use of proceeds from the Listing Date to 30 June 2020 (HK\$ million)	Actual use of proceeds from the Listing Date to the date of the Change of Use of Proceeds Announcement (HK\$ million)	Reallocation (HK\$ million)	Remaining balance as at the date of the change of Use of Proceeds Announcement (HK\$ million)	Expected time frame
Expand our production capacity and enhance our production efficiency	64.7	43.7	43.7	(21.0)	—	
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	0.8	0.8	(16.6)	—	
Further strengthen our research and development capabilities	4.5	4.4	4.4	—	0.1	to be used during the year ended 31 December 2020
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.4	0.4	(3.0)	—	
General working capital of our Group	6.7	6.0	6.0	—	0.7	to be used during the year ended 31 December 2020
Construction of a production base in Huizhou	—	—	—	40.6	40.6	to be used during the years ended 31 December 2020 and 31 December 2021
	<u>96.7</u>	<u>55.3</u>	<u>55.3</u>	<u>—</u>	<u>41.4</u>	

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## **CAPITAL COMMITMENT**

As at 30 June 2020, the Group's capital commitment amounted to approximately RMB5.1 million (31 December 2019: approximately RMB0.9 million), respectively. The capital commitment was mainly related to the acquisition of machinery and equipment and construction of manufacturing plant.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in this interim report, the Group does not have other plans for material investment and capital assets during the six months ended 30 June 2020.

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

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

## **CONTINGENT LIABILITIES**

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

## **EVENTS AFTER REVIEW PERIOD**

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

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 2020 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 <sup>(1)</sup>	Percentage of shareholding (%)
Mr. Ma Fujun ("Mr. Ma")	Interest of a controlled corporation <sup>(2)</sup>	191,250,000 <sup>(L)</sup>	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 <sup>(1)</sup>	Percentage of shareholding (%)
Mr. Ma <sup>(2)</sup>	Rich Blessing	Beneficial owner; interest of spouse	7,780 <sup>(L)</sup>	77.80
Ms. Chen	Rich Blessing	Beneficial owner	2,000 <sup>(L)</sup>	20.00
Mr. Cheng	Rich Blessing	Beneficial owner	220 <sup>(L)</sup>	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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2020 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 <sup>(1)</sup>	Percentage (%)
Rich Blessing	Beneficial owner	191,250,000 <sup>(L)</sup>	63.75
Ms. Cheng	Interest of spouse <sup>(2)</sup>	191,250,000 <sup>(L)</sup>	63.75
Elite Foster International Investment Limited (" <b>Elite Foster</b> ")	Beneficial owner <sup>(3)</sup>	33,750,000 <sup>(L)</sup>	11.25
Mr. Lu Wan Ching	Interest of a controlled corporation <sup>(3)</sup>	33,750,000 <sup>(L)</sup>	11.25
Ms. Wong Yuk Ting	Interest of spouse <sup>(4)</sup>	33,750,000 <sup>(L)</sup>	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.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

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

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

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 June 2020 and up to the date of this 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 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 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 17 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.

### **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 AND OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

For the Review Period, 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 2019 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 complied 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  
21 August 2020

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## 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 18 to 36, which comprises the condensed consolidated balance sheet of Eternity Technology Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 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, 21 August 2020

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Note	Unaudited six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	295,256	271,912
Cost of sales	7	(280,424)	(237,817)
<b>Gross profit</b>		<b>14,832</b>	34,095
Other income	8	7,181	3,162
Selling and distribution expenses	7	(6,100)	(7,126)
Administrative expenses	7	(10,137)	(8,437)
Other (losses)/gains, net	9	(829)	281
Net impairment losses on financial assets	7	(4,552)	—
<b>Operating profit</b>		<b>395</b>	21,975
Finance income		282	197
Finance costs		(479)	(630)
Finance costs, net		(197)	(433)
<b>Profit before income tax</b>		<b>198</b>	21,542
Income tax credit/(expense)	10	362	(3,639)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>560</b>	17,903
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	11	RMB0.187 cents	RMB5.968 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 2020

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

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 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties, plant and equipment	13	75,167	78,571
Intangible assets	14	1,461	1,735
Prepayments and deposits	15	12,458	1,329
Restricted cash		2,683	2,683
Deferred income tax assets		1,615	591
		<b>93,384</b>	84,909
<b>Current assets</b>			
Inventories	16	75,758	52,527
Contract assets	17	4,937	7,559
Trade and bills receivables	17	269,317	153,801
Prepayments, deposits and other receivables	15	23,146	21,031
Restricted cash		—	182
Pledged bank deposits		15,219	7,500
Short-term bank deposits		92	9,184
Cash and cash equivalents		116,371	107,856
		<b>504,840</b>	359,640
<b>Total assets</b>		<b>598,224</b>	444,549
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		2,619	2,619
Share premium		110,868	110,868
Retained earnings		96,016	96,010
Reserves		28,703	26,684
<b>Total equity</b>		<b>238,206</b>	236,181
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		21	593
Deferred government grants		7,919	1,285
		<b>7,940</b>	1,878
<b>Current liabilities</b>			
Trade and bills payables	18	272,616	127,501
Other payables and accruals	19	30,061	30,892
Lease liabilities		7,303	10,051
Contract liabilities	19	26,612	15,679
Bank borrowings		11,945	16,422
Current income tax liabilities		3,541	5,945
		<b>352,078</b>	206,490
<b>Total liabilities</b>		<b>360,018</b>	208,368
<b>Total equity and liabilities</b>		<b>598,224</b>	444,549

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 2020

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital	Share premium	Statutory reserve	Other reserve	Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	<b>2,619</b>	<b>110,868</b>	<b>11,755</b>	<b>12,662</b>	<b>2,267</b>	<b>96,010</b>	<b>236,181</b>
<b>Comprehensive income:</b>							
Profit for the period	—	—	—	—	—	560	560
<b>Other comprehensive income:</b>							
<i>Item that may be subsequently reclassified to profit or loss</i>							
Currency translation difference	—	—	—	—	1,465	—	1,465
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,465</b>	<b>560</b>	<b>2,025</b>
<b>Transaction with owners</b>							
Appropriation (Note a)	—	—	554	—	—	(554)	—
<b>Balance at 30 June 2020</b>	<b>2,619</b>	<b>110,868</b>	<b>12,309</b>	<b>12,662</b>	<b>3,732</b>	<b>96,016</b>	<b>238,206</b>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2020

	Unaudited						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2019	2,619	110,868	8,858	12,662	628	73,450	209,085
<b>Comprehensive income:</b>							
<b>Profit for the period</b>	—	—	—	—	—	17,903	17,903
<b>Other comprehensive income:</b>							
<i>Item that may be subsequently reclassified to profit or loss</i>							
Currency translation difference	—	—	—	—	86	—	86
<b>Total comprehensive income</b>	—	—	—	—	86	17,903	17,989
<b>Transaction with owners</b>							
Appropriation (Note a)	—	—	1,759	—	—	(1,759)	—
<b>Balance at 30 June 2019</b>	<b>2,619</b>	<b>110,868</b>	<b>10,617</b>	<b>12,662</b>	<b>714</b>	<b>89,594</b>	<b>227,074</b>

Note:

- (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 discretionary 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 2020

	Unaudited	
	six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operation	33,023	12,546
Income tax paid	(3,114)	(2,132)
Interest received	282	197
Net cash generated from operating activities	30,191	10,611
<b>Cash flows from investing activities</b>		
Purchase of properties, plant and equipment	(1,122)	(2,310)
Deposit paid for the acquisition of land use right	(8,000)	—
Prepayments for the construction of manufacturing plant	(4,282)	—
Purchase of intangible assets	(6)	—
Receipt of government grants	6,900	1,827
Change in pledged bank deposits	(7,719)	—
Net cash used in investing activities	(14,229)	(483)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	2,999	18,811
Repayments of bank borrowings	(7,381)	(3,881)
Interest paid	(479)	(567)
Change in short-term bank deposits	—	(56)
Payments of principal element of lease liabilities	(3,444)	(3,119)
Net cash (used in)/generated from financing activities	(8,305)	3,255
<b>Increase in cash and cash equivalents</b>	<b>7,657</b>	<b>13,383</b>
Cash and cash equivalents at beginning of the period	107,856	137,678
Currency translation differences	858	(561)
<b>Cash and cash equivalents at end of the period</b>	<b>116,371</b>	<b>150,500</b>

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 21 August 2020.

This interim financial information has been reviewed, not audited.

## 2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The interim financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRS**”).

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 ESTIMATES

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

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

## 5 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 2019. 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 and financial liabilities approximate their fair values as at 30 June 2020 and 31 December 2019.

## 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Disaggregation of revenue from contracts with customers

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

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Time of revenue recognition		
At a point in time - sales of goods	269,825	225,337
Over time - provision of services	25,431	46,575
	<b>295,256</b>	271,912

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

Note:

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cost of raw materials used	219,361	203,730
Consumables	911	1,765
Subcontracting charges	28,267	10,331
Employee benefit expenses and manpower service expenses, including Directors' emoluments (Note 21)	25,999	20,605
Rental expenses of short-term leases in respect of machineries	5,259	1,918
Utilities	1,757	1,704
Depreciation (Note 13)	5,104	4,602
Amortisation (Note 14)	280	257
Auditor's remuneration – Audit services	362	302
Professional fees	3,283	2,424
Office expenses	198	233
Reversal of inventories (Note 16)	(1,846)	(2,010)
Other tax and surcharges	304	240
Transportation	2,960	2,110
Commission expenses	140	518
Repair and maintenance	103	193
Provision for impairment of trade receivables (Note 17)	4,552	—
Others	4,219	4,458
<b>Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets</b>	<b>301,213</b>	<b>253,380</b>

## 8 OTHER INCOME

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9 OTHER (LOSSES)/GAINS, NET

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

### 10 INCOME TAX (CREDIT)/EXPENSE

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 2020 and 2019.

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

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

## 12 DIVIDENDS

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 PROPERTIES, PLANT AND EQUIPMENT

	Total RMB'000
<b>As at 1 January 2020 (audited)</b>	
Cost	141,700
Accumulated depreciation	(63,129)
Net book amount	78,571
<b>Six months ended 30 June 2020 (unaudited)</b>	
Opening net book amount	78,571
Additions	1,691
Depreciation	(5,104)
Exchange difference	9
Closing net book amount	75,167
<b>As at 30 June 2020 (unaudited)</b>	
Cost	142,398
Accumulated depreciation	(67,231)
Net book amount	75,167
<b>As at 1 January 2019 (audited)</b>	
Cost	115,068
Accumulated depreciation	(58,359)
Net book amount	56,709
<b>Six months ended 30 June 2019 (unaudited)</b>	
Opening net book amount	56,709
Additions	2,310
Depreciation	(4,602)
Disposals	(2)
Closing net book amount	54,415
<b>As at 30 June 2019 (unaudited)</b>	
Cost	117,196
Accumulated depreciation	(62,781)
Net book amount	54,415

As at 30 June 2020, the recognised right-of-use assets are related to buildings and plant and machineries of approximately RMB39,706,000 (31 December 2019: RMB41,972,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 INTANGIBLE ASSETS

### (a) Acquisitions

During the six months ended 30 June 2020, the Group acquired items of software system with a cost of approximately RMB6,000 (30 June 2019: Nil).

### (b) Amortisation

During the six months ended 30 June 2020, amortisation expenses of approximately RMB7,000 (30 June 2019: Nil), RMB82,000 (30 June 2019: RMB62,000) and RMB191,000 (30 June 2019: RMB195,000) have been charged in selling and distribution expenses, administrative expenses and cost of sales respectively.

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

(a) As at 30 June 2020 and 31 December 2019, the carrying amounts of deposits and other receivables approximated their fair values.

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

## 16 INVENTORIES

During the six months ended 30 June 2020, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB280,120,000 (30 June 2019: RMB237,590,000), which included reversal of inventory provision amounting to approximately RMB1,846,000 (30 June 2019: RMB2,010,000).





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

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

Contract assets represent the Group's rights to consideration for work completed but unbilled for its services. The contract assets are transferred to trade receivables when the rights become unconditional which generally takes one to three months. The balances of contract assets as at 30 June 2020 and 31 December 2019 represented the amounts of services that were completed but unbilled before the period/year-end.

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES (CONTINUED)

Movements of the provision on individual basis were as follows:

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

### 18 TRADE AND BILLS PAYABLES

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

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

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

As at 30 June 2020 and 31 December 2019, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

### 20 CAPITAL COMMITMENTS

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

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Contracted but not provided for	5,075	876

### 21 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.

Major related parties that had transactions with the Group during the six months ended 30 June 2020 and 2019 were as follows:

Name of related parties	Relationship with the Company
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled by a director

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 21 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Transactions with related parties

Save as disclosed elsewhere in the interim financial information, during the six months ended 30 June 2020 and 2019, the following transactions were carried out with related parties at terms mutually agreed by both parties:

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

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (Note)	392	392

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

### (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	
	2020 RMB'000	2019 RMB'000
Wages and salaries	855	969
Pension costs - defined contribution plan	10	128
	865	1,097



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance arising from related party transactions

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 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)	<b>119</b>	119

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

\* For identification purpose only

### 22 EVENTS AFTER REPORTING PERIOD

In July 2020, the Group acquired a right of use of a piece of land in Daya Bay Western District, Huizhou City, the PRC, for a consideration of RMB25,500,000. The Group is required to develop and utilise the land as its manufacturing plant.

In July 2020, the Group entered into a construction contract with a contractor pursuant to which the contractor agreed to construct a production base for the internal use of the Group at Shuikou, Huizhou City, for a consideration of RMB79,900,000.