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

INTERIM REPORT
2018

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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
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
Kengzi Street, Pingshan New District
Shenzhen, Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1705, 17/F
Bonham Trade Centre
50 Bonham Strand
Sheung Wan
Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Shenzhen Huanggang Branch
Bank of China (Hong Kong) Limited

Corporate Information

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

HONG KONG SHARE REGISTRAR

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

COMPLIANCE ADVISERS

Dakin Capital Limited

Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISER

TC & Co., Solicitors

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

Financial Highlights

FINANCIAL HIGHLIGHTS

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

- Revenue of the Group for the Review Period was approximately RMB264.7 million, representing an increase of approximately 23.9% as compared with RMB213.6 million for the corresponding period in 2017.
- Gross profit of the Group for the Review Period was approximately RMB41.0 million, representing an increase of approximately 11.9% as compared with RMB36.6 million for the corresponding period in 2017.
- Profit attributable to owners of the Company for the Review Period was approximately RMB17.4 million, representing a slight decrease of approximately 0.5% as compared with RMB17.5 million for the corresponding period in 2017. Excluding the listing expenses amounting to RMB7.2 million for the Review Period (six months ended 30 June 2017: RMB4.6 million), the Group’s adjusted profit for the Review Period would have been approximately RMB24.6 million, representing an increase of approximately 11% as compared with RMB22.1 million for the corresponding period in 2017.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company is RMB7.74 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.

The Company's shares (the "**Shares**") have been successfully listed on the Main Board of the Stock Exchange on 16 August 2018 (the "**Listing Date**"), which is a significant milestone in the Company's history and strategic development. The successful listing of the Shares and the net proceeds from the public offer and placing of our Shares (the "**Share Offer**") will enhance our corporate profile and strengthen our financial position which enable us to implement our business strategies. Because of the short period between the Listing Date and the date of this report, the Group is still in the preliminary stages of implementing its business strategies and initiatives as set out in our listing prospectus dated 3 August 2018 (the "**Prospectus**").

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

Business Strategies

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

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

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:

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

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

Revenue by Product Type

During the Review Period and the corresponding period in 2017, our revenue was generated by our two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Review Period and the corresponding period in 2017 respectively:

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

PCBAs

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

Fully-assembled electronic products

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

Gross Profit and Gross Profit Margin

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

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

PCBAs

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

Fully-assembled electronic products

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

Management Discussion and Analysis

Other Income

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

Selling and Distribution Expenses

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

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses including salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff; and (ii) professional fees. For the Review Period, administrative expenses amounted to approximately RMB14.8 million (six months ended 30 June 2017: RMB11.0 million), representing an increase of approximately 34.8% as compared to the corresponding period of 2017. The increase was mainly due to the increase in the listing expenses by approximately RMB2.6 million as a result of the listing of the Company in August 2018.

Finance Costs, Net

Our finance costs mainly comprised interest expense on borrowings and bank charges while our finance income mainly represented interest income on our cash and cash equivalents. For the Review Period, the finance costs of the Group was approximately RMB0.4 million (six months ended 30 June 2017: RMB0.5 million). The finance costs remained stable as a result of stable borrowing rate.

Income Tax Expense

Income tax expense amounted to approximately RMB4.3 million for the Review Period (six months ended 30 June 2017: approximately RMB3.9 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%.

Profit attributable to owners of the Company

As a result of the facts discussed above, profit attributable to owners of the Company decreased slightly by approximately 0.5% from approximately RMB17.5 million for the corresponding period in 2017 to approximately RMB17.4 million for the Review Period. Consistent with the decrease in gross profit margin, the Group's net profit margin decreased from approximately 8.2% for the corresponding period in 2017 to approximately 6.6% for the Review Period due to a more competitive price was offered to our customers and the increase in the listing expenses.

* *For identification purpose only*

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

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

Borrowings and the Pledge of Assets

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

Gearing Ratio

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

Capital Structure

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

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in 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 RMB4.7 million (six months ended 30 June 2017: RMB1.7 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, motor vehicles and intangible assets.

INTERIM DIVIDEND

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

EMPLOYEES AND EMOLUMENTS POLICY

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

SIGNIFICANT INVESTMENTS HELD

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

USE OF PROCEEDS

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

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

CAPITAL COMMITMENT

As at 30 June 2018, the Group's capital commitment amounted to approximately RMB0.9 million (31 December 2017: Nil), 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 2018 (31 December 2017: Nil).

EVENTS AFTER REPORTING PERIOD

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

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

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 the Shares were listed on the Stock Exchange on 16 August 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("**SFO**") as at 30 June 2018.

As at 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(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(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 of this report, as 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 of the Group 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

As the Shares were listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2018.

So far as the Directors are aware, as at 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 Lihong 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

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

AUDIT COMMITTEE

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

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

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report has been included in page 16 of this report.

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

Corporate Governance and Other Information

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 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 from Listing Date up to the date of this report.

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 published date of the Prospectus of the Company, 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 for the Listing Date up to the date of the report.

By order of the Board
Ma Fujun
Chairman & Executive Director

Hong Kong
31 August 2018

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 17 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 2018 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 fair 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 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

OTHER MATTER

The comparative information for the condensed consolidated balance sheet is based on the audited financial statement as at 31 December 2017. The comparative information for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related explanatory notes, for the six-month period ended 30 June 2017 has not been audited or reviewed.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2018

Condensed Consolidated Income Statement

For The Six Months Ended 30 June 2018

		Unaudited six months ended 30 June	
	Note	2018 RMB'000	2017 RMB'000
Revenue	6	**264,737**	213,623
Cost of sales	7	**(223,784)**	(177,030)
Gross profit		**40,953**	36,593
Other income	8	**2,308**	—
Selling and distribution expenses	7	**(6,181)**	(4,609)
Administrative expenses	7	**(14,836)**	(11,005)
Other (losses)/gains, net	9	**(137)**	877
Operating profit		**22,107**	21,856
Finance income		**45**	31
Finance costs		**(407)**	(477)
Finance costs, net		**(362)**	(446)
Profit before income tax		**21,745**	21,410
Income tax expense	10	**(4,331)**	(3,917)
Profit for the period		**17,414**	17,493
Profit attributable to:			
Owners of the Company		**17,414**	17,493
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	11	**RMB7.74 cents**	RMB8.65 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 2018

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

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 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	13	**16,532**	13,853
Intangible assets	14	**1,633**	1,478
Prepayments and deposits	15	**2,195**	401
Deferred income tax assets		**903**	1,085
		21,263	16,817
Current assets			
Inventories	16	**57,889**	31,449
Trade and bills receivables	17	**169,882**	71,090
Prepayments, deposits and other receivables	15	**44,334**	10,425
Pledged bank deposits		**7,593**	—
Cash and cash equivalents		**27,674**	53,134
		307,372	166,098
Total assets		**328,635**	182,915
EQUITY			
Equity attributable to owners of the Company			
Share capital		**—**	—
Reserves		**103,861**	86,359
Total equity		**103,861**	86,359
LIABILITIES			
Current liabilities			
Trade payables	18	**164,489**	55,632
Contract liabilities, other payables and accruals	19	**40,190**	31,089
Bank borrowings		**12,730**	5,000
Current income tax liabilities		**7,365**	4,835
Total liabilities		**224,774**	96,556
Total equity and liabilities		**328,635**	182,915

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 2018

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Statutory reserve RMB'000	Other reserves RMB'000 Note (a)	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	**—**	**6,316**	**24,827**	**(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	**—**	**6,316**	**24,827**	**(300)**	**73,018**	**103,861**

	Unaudited					
	Attributable to owners of the Company					
	Share capital RMB'000	Statutory reserve RMB'000	Other reserves RMB'000 Note (a)	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	—	3,351	12,000	(138)	30,058	45,271
Comprehensive income:						
Profit for the period	—	—	—	—	17,493	17,493
Other comprehensive income:						
Item that may be subsequently reclassified to profit or loss						
Currency translation differences	—	—	—	194	—	194
Total comprehensive income	—	—	—	194	17,493	17,687
Transactions with owners:						
Capital injection from a shareholder (Note 1.2(c))	—	—	919	—	—	919
Effect of reorganisation in respect of the capitalisation of shareholders' loans (Note 1.2(j)) and the acquisition of subsidiaries (Note 1.2(e) & (i))	—	—	(257)	—	—	(257)
Issuance of ordinary shares of the Company (Note 1.2(a) & (g))	—	—	12,165	—	—	12,165
Appropriation (Note (b))	—	2,052	—	—	(2,052)	—
Total transactions with owners	—	2,052	12,827	—	(2,052)	12,827
Balance at 30 June 2017	—	5,403	24,827	56	45,499	75,785

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended 30 June 2018

Notes:

(a) Other reserves as at 30 June 2018 and 2017 represent the share premium and fair value of the consideration given in excess of the share capital of the subsidiaries now comprising the Group in relation to the Group's reorganisation as set out in Note 1.2.

(b) 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 2018

		Unaudited six months ended 30 June	
	Note	**2018 RMB'000**	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operation		**(16,254)**	18,332
Income tax paid		**(1,675)**	(6,137)
Interest received		**45**	31
Net cash (used in)/generated from operating activities		**(17,884)**	12,226
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		**—**	(62,818)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	83,133
Purchase of properties, plant and equipment		**(4,728)**	(1,680)
Proceeds from disposal of properties, plant and equipment		**12**	1,028
Purchase of intangible assets		**(362)**	—
Net cash (used in)/generated from investing activities		**(5,078)**	19,663
Cash flows from financing activities			
Proceeds from bank borrowings		**10,666**	9,316
Proceeds from loans from shareholders	1.2(h)	**—**	19,692
Proceeds from issuance of ordinary shares of the Company	1.2(g)	**—**	12,165
Consideration paid for the acquisition of subsidiaries in respect of reorganisation	1.2(e)&(i)	**—**	(19,949)
Repayments of bank borrowings		**(2,936)**	(4,326)
Interest paid		**(407)**	(477)
Change in pledged bank deposits		**(7,593)**	438
Repayment to a related party		**—**	(1,200)
Proceeds from amounts due to related parties		**—**	4,653
Repayments of amounts due to related parties		**—**	(29,699)
Payments of listing expenses		**(1,834)**	(1,306)
Capital injection from a shareholder	1.2(c)	**—**	919
Net cash used in financing activities		**(2,104)**	(9,774)
(Decrease)/increase in cash and cash equivalents		**(25,066)**	22,115
Cash and cash equivalents at beginning of the period		**53,134**	21,241
Currency translation differences		**(394)**	158
Cash and cash equivalents at end of the period		**27,674**	43,514

Major non-cash transactions:

During the six months ended 30 June 2017, loans amounting to HK$22,640,000 (approximately RMB19,692,000) from shareholders of the Company were capitalised in other reserve as capital contribution to the Company.

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 AND REORGANISATION

1.1 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 "**Listing Business**" or the "**EMS**"). The ultimate holding company of the Company is Rich Blessing Group Limited ("**Rich Blessing**"), a company incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Ma Fujun ("**Mr. Ma**").

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

This condensed consolidated interim financial information ("**interim financial information**") is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. This interim financial information was approved for issue on 31 August 2018.

1.2 Reorganisation

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

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

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

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

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

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

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

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

* For identification purpose only

1 GENERAL INFORMATION AND REORGANISATION (CONTINUED)

1.2 Reorganisation (Continued)

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

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

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

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

2 BASIS OF PRESENTATION

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(b) New and amended standards adopted by the Group

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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 Accountant's Report included in Appendix I to the Prospectus.

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 Accountant's Report included in Appendix I to the Prospectus. 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 and cash and cash equivalents; and financial liabilities including trade payables, other payables and accruals, and bank borrowings, approximate their fair values as at 30 June 2018 and 31 December 2017.

Notes to the Condensed Consolidated Interim Financial Information

6 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged the business of EMS.

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

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

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

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

(a) Segment revenue by customers' geographical location

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

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

Note:

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

(b) Non-current assets by geographical location

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

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	
	2018 RMB'000	2017 RMB'000
Cost of raw materials used	**188,316**	137,215
Consumables	**1,601**	1,744
Subcontracting charges	**13,167**	16,501
Employee benefit expenses and manpower service expenses, including directors' emoluments (Note 21)	**16,346**	18,549
Operating lease rentals in respect of:		
– machinery	**5,019**	2,029
– offices, warehouses, production plant and staff quarters	**1,569**	1,333
Utilities	**1,451**	1,421
Depreciation (Note 13)	**840**	821
Amortisation (Note 14)	**207**	178
Listing expenses	**7,173**	4,607
Professional fees	**904**	27
Office expenses	**526**	183
Provision for inventories (Note 16)	**150**	1,071
Other tax and surcharges	**504**	863
Transportation	**2,060**	1,142
Service fees for product development	**1,663**	2,262
Commission expenses	**458**	513
Repair and maintenance	**740**	428
Others	**2,107**	1,757
Total cost of sales, selling and distribution and administrative expenses	**244,801**	192,644

Notes to the Condensed Consolidated Interim Financial Information

8 OTHER INCOME

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Government grants	**2,308**	—

9 OTHER (LOSSES)/GAINS, NET

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Exchange differences	**(31)**	144
Net realised and unrealised gains on financial assets at fair value through profit or loss	**—**	61
(Loss)/gain on disposal of properties, plant and equipment	**(106)**	672
	(137)	877

10 INCOME TAX EXPENSE

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

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

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

11 EARNINGS PER SHARE

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

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

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2018 and 2017.

12 DIVIDENDS

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

13 PROPERTIES, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of plant and machinery with a cost of approximately RMB3,646,000 (30 June 2017: RMB1,467,000). Items of plant and machinery with a net book value of approximately RMB118,000 were disposed of during the six months ended 30 June 2018 (30 June 2017: RMB356,000), resulting in a loss on disposal of approximately RMB106,000 (30 June 2017: gain on disposal of approximately RMB672,000) (Note 9).

(b) Depreciation

During the six months ended 30 June 2018, depreciation expenses of approximately RMB262,000 (30 June 2017: RMB233,000), RMB124,000 (30 June 2017: RMB47,000) and RMB454,000 (30 June 2017: RMB541,000) have been charged in administrative expenses, selling and distribution expenses and cost of sales respectively, and approximately RMB9,000 (30 June 2017: RMB20,000) have been included in inventories.

14 INTANGIBLE ASSETS

(a) Acquisitions

During the six months ended 30 June 2018, the Group acquired items of software system with a cost of approximately RMB362,000 (30 June 2017: Nil).

(b) Amortisation

During the six months ended 30 June 2018, amortisation expenses of approximately RMB24,000 (30 June 2017: RMB13,000) and RMB183,000 (30 June 2017: RMB165,000) have been charged in administrative expenses and selling and distribution expenses respectively.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

16 INVENTORIES

During the six months ended 30 June 2018, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB223,279,000 (30 June 2017: RMB176,167,000), which included inventory provision amounting to approximately RMB150,000 (30 June 2017: RMB1,071,000).

17 TRADE AND BILLS RECEIVABLES

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

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

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

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

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

18 TRADE PAYABLES

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

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

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

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

19 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

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

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

20 CAPITAL COMMITMENT

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

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Contracted but not provided for	**912**	—

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 shareholders of the Group are disclosed in Note 1.1.

(a) Transactions with related parties

Save as disclosed elsewhere in the interim financial information, during the six months ended 30 June 2018 and 2017, 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 and 2017, certain of the Group's bank loans were secured by personal guarantees from Mr. Ma and Ms. Cheng Lihong.

(ii) Corporate guarantee provided to a related company controlled by Mr. Ma

During the six months ended 30 June 2017, the subsidiary operating in the PRC has provided a corporate guarantee of RMB13,800,000 to a related company. As at 31 December 2017, the corporate guarantee was released.

(iii) Rental expenses paid to a related company controlled by Mr. Ma

Rental expenses of RMB270,000 were paid to a related company by the subsidiary operating in the PRC during the six months ended 30 June 2018 (30 June 2017: Nil).

Notes to the Condensed Consolidated Interim Financial Information

21 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	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**1,192**	1,182
Pension costs - defined contribution plan	**107**	104
Welfare and other expenses	**—**	—
	1,299	1,286

22 EVENTS AFTER REPORTING PERIOD

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

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