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

2018
ANNUAL REPORT

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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
Longtian Street, Pingshan 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

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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

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

Stock Name

Eternity Tech

COMPLIANCE ADVISERS

Dakin Capital Limited

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Hong Kong

LEGAL ADVISER

TC & Co., Solicitors

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

AUDITORS

PricewaterhouseCoopers

22/F, Prince's Building
Central
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

Stock code: 1725.HK

CORPORATE WEBSITE ADDRESS

www.szeternity.com

STOCK CODE

1725

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Eternity Technology Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I am pleased to present to the shareholders of the Company the first annual report and audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**Reporting Period**").

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.

BUSINESS REVIEW

The year 2018 was full of challenges as well as opportunities for China's economy. Although affected by the slowdown of China's macro economy, 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 favourable policies which include a strategic plan entitled "**Made in the PRC 2025 (中國製造2025)**" by the PRC Government.

During the Reporting Period, the Group recorded growth in both turnover and gross profit. The Group had a robust growth trend in the sales of printed circuit board assembly ("**PCBAs**"), and fully-assembled electronic products and a turnover of approximately RMB546.7 million was recorded for the Reporting Period, representing an increase of approximately 47.7% as compared to the previous year (2017: RMB370.2 million). The revenue derived from fully-assembled electronic products increased by approximately 63.0%, particularly revenue derived from mobile point-of-sale (the "**mPOS**") increased by approximately 37.5% to RMB278.1 million, for the Reporting Period compared to the previous year (2017: RMB202.2 million) as a result of an increase in purchase orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC.

Business Strategy

Looking ahead, the Group will strive to sustain long-term growth in our current business and strengthen our production capacity to secure more business opportunities. The Group will continue to diversify or expand our customer base and keep pace with the latest technologies to deliver PCBAs and fully-assembled electronic products that can be applied to our customers' innovative electronic products and provide engineering solutions to our customers. We will continue to strive a balance among the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Group.

Gratitude

On behalf of the Company, I would like to express my sincere gratitude to all our valued shareholders, customers, suppliers, banks and to our management and employees for their continuous trust and support to our Group.

By order of the Board

Ma Fujun
Chairman & Executive Director

Hong Kong
29 March 2019

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 year ended 31 December	
	2018 RMB'000	2017 RMB'000
The PRC	422,327	333,650
The United States of America	5,098	6,828
Mexico	97,108	16,502
Others (Note)	22,160	13,182
Total	546,693	370,162

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

Revenue by Product Type

During the Reporting Period, 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 Reporting Period and for the year ended 31 December 2017 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2018 RMB'000	2017 RMB'000	Change %	2018	2017	Change %
PCBAs	136,041	118,169	15.1	24.9	31.9	-7.0
Fully-assembled electronic products	410,652	251,993	63.0	75.1	68.1	7.0
Total	546,693	370,162	47.7	100.0	100.0	

PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our revenue generated from sales of PCBAs increased by approximately 15.1% from approximately RMB118.2 million for the year ended 31 December 2017 to approximately RMB136.0 million for the Reporting 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 PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS, photovoltaic inverters, tablets and street lamp controller, 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 63.0% from approximately RMB252.0 million for the year ended 31 December 2017 to approximately RMB410.7 million for the Reporting 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 Reporting Period was approximately RMB65.8 million, representing an increase of approximately RMB5.5 million or 9.1% as compared with RMB60.3 million for the year ended 31 December 2017. Overall gross profit margin decreased from 16.3% for the year ended 31 December 2017 to 12.0% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2018 RMB'000	2017 RMB'000	Change (%)	**2018 %**	2017 %	Change (%)
PCBAs	**23,234**	20,571	12.9	**17.1**	17.4	-0.3
Fully-assembled electronic products	**42,573**	39,767	7.1	**10.4**	15.8	-5.4
Total	**65,807**	60,338	9.1	**12.0**	16.3	-4.3

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 12.9% to approximately RMB23.2 million for the Reporting Period (2017: RMB20.6 million). The gross profit margin decreased to approximately 17.1% for the Reporting Period (2017: 17.4%), 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 7.1% to approximately RMB42.6 million for the Reporting Period (2017: RMB39.8 million). The gross profit margin decreased to approximately 10.4% for the Reporting Period (2017: 15.8%), which was mainly due to the decrease in gross profit margin of mPOS as we offered a more competitive price to our customers than that of 2017 in view of the increasing demand.

Other Income

Other income of the Group, comprises discretionary government grants received by the Group, increased by approximately 269.8% from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB3.1 million for the Reporting Period due to the increase in government grants received.

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 agents in respect of customer introduction; and (iv) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB13.3 million (2017: RMB9.5 million), representing an increase of approximately 39.0% as compared to the year ended 31 December 2017. Selling and distribution expense ratio remained stable at approximately 2.4% and 2.6% against revenue for the Reporting Period and the year ended 31 December 2017, respectively.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff; and (ii) professional fees. For the Reporting Period, administrative expenses amounted to approximately RMB30.4 million (2017: RMB18.4 million), representing an increase of approximately 64.9% as compared to the year ended 31 December 2017. The increase was mainly due to the increase in the Listing expenses and professional fees by approximately RMB9.9 million and audit fee by approximately RMB1.5 million as a result of the listing of the Company in August 2018.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank borrowings and finance lease liability and bank charges while our finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, the finance costs of the Group were approximately RMB0.7 million (2017: RMB0.8 million). The finance costs remained stable as a result of stable borrowing rate.

Income Tax Expense

Income tax expense amounted to approximately RMB4.7 million for the Reporting Period (2017: RMB5.2 million). Our major operating subsidiary, Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司) ("Shenzhen Hengchang Sheng"), enjoyed a preferential tax treatment because of its accreditation as a New/High - Tech Technology Enterprise and the applicable tax rate was 15%.

Profit Attributable to Equity Holders of the Company

As a result of the facts discussed above, profit attributable to equity holders of the Company decreased by approximately 27.8% from approximately RMB28.5 million for the year ended 31 December 2017 to approximately RMB20.6 million for the Reporting Period. The decrease was mainly due to the increase in the Listing expenses by approximately RMB9.0 million.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB155.5 million as at 31December 2018 (2017: RMB69.5 million). The current ratio of the Group increased from approximately 1.7 as at 31 December 2017 to approximately 1.9 as at 31December 2018.

Borrowings and the Pledge of Assets

The interest-bearing liabilities of the Group amounted to approximately RMB13.2 million as at 31December 2018 (2017: RMB5.0 million). As at 31 December 2018, interest-bearing liabilities were secured by a pledged bank deposit and a corporate guarantee by the Company. As at 31 December 2017, the borrowings were secured by properties, plant and equipment and a personal guarantees from Mr. Ma and Ms. Cheng Lihong.

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 6.3% and 5.8% as at 31 December 2018 and 31 December 2017, respectively. During the Reporting Period, we have increased our borrowings by approximately RMB8.2 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 and the Listing.

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. As at 31 December 2018, the number of issued shares of the Company was 300,000,000 ordinary shares of HK$0.01 each.

* For identification purpose only

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in Renminbi ("**RMB**"), Hong Kong dollar ("**HK$**") and United States dollar ("**USD**"), and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than USD, HK$ or RMB. During the Reporting 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 Reporting Period, the Group had capital expenditure of approximately RMB40.9 million (2017: RMB5.4 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, motor vehicles and intangible assets.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2018 (2017: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme.

As at 31 December 2018, the Group had over 370 employees with a total remuneration of approximately RMB34.0 million during the Reporting Period (2017: RMB31.5 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not have any material acquisitions, disposals and significant investments.

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 pursant to the Prospectus) (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK$96.7 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 December 2018, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds HK$ million	Amount utilised HK$ million	Remaining balance HK$ million
Expand our production capacity and enhance our production efficiency	64.7	39.0	25.7
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	—	17.4
Further strengthen our research and development capabilities	4.5	0.2	4.3
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.2	3.2
General working capital	6.7	1.3	5.4
	96.7	40.7	56.0

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

CAPITAL COMMITMENT

As at 31 December 2018, the Group's capital commitment amounted to approximately RMB1.4 million (2017: Nil). 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 as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholders' value.

CONTINGENT LIABILITIES

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

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ma Fujun (馬富軍), aged 45, is the chairman of our Board, Executive Director and chief executive officer of the Company. Mr. Ma was first appointed as a Director of the Company on 15 March 2017. Mr. Ma together with his brother-in-law, Mr. Cheng Bin, founded Eternity Technology Development Limited (恒昌科技發展有限公司) ("**Eternity Technology**") in 2003. Mr. Ma is also the director, general manager, legal representative and chairman of the board of Shenzhen Hengchang Sheng, and the sole director of Total United Holdings Limited (全協控股有限公司) ("**Total United**"), Agreeable Company Limited (致同有限公司) ("**Agreeable**") and Eternity Technology. He is responsible for the overall management, strategic planning, and business development of our Group. Mr. Ma has over 16 years of experience in electronics engineering. He attended Xi'an University of Technology from September 1994 to July 1997 and obtained a Junior College Education Degree in Mechatronic Engineering in July 1997. From March 2001 to May 2011, Mr. Ma served as the general manager, legal representative and chairman of the board of directors of Shenzhen Active Tactics Electronics Company Limited.

Ms. Chen Xiaoyuan (陳筱媛), aged 45, is an Executive Director of the Company. Ms. Chen was first appointed as a Director of the Company on 15 March 2017. Ms. Chen is also a director and vice general manager of Shenzhen Hengchang Sheng and a supervisor of other subsidiary of the Company. She is primarily responsible for the accounting and financial functions of our Group. Ms. Chen graduated from Jiangxi University of Finance and Economics majoring in foreign-related Accounting in June 1995. Ms. Chen joined our Group on 27 August 2007 as a manager of the Finance Department of Shenzhen Hengchang Sheng and was promoted to a vice general manager in April 2015. Prior to joining Shenzhen Hengchang Sheng, she worked as a financial manager at Telehof Electronics Instruments & Equipment (Shenzhen) Co., Ltd, which specialised in the manufacture and sales of security products and surge protective devices, from October 1997 to October 2006.

Mr. Cheng Bin (程彬), aged 41, is an Executive Director of the Company. Mr. Cheng was first appointed as a Director of the Company on 15 March 2017. He is also a supervisor and vice general manager of Shenzhen Hengchang Sheng and a director, manager and legal representative of other subsidiary of the Company. He is primarily responsible for the sales and marketing functions of our Group. Mr. Cheng completed vocational education at Jiangxi Shipping Technical School* (江西船舶技術學校) in July 1996. From November 2000 to December 2008, Mr. Cheng was a manager at Shenzhen Active Tactics Electronics Company Limited which principally involved in the surface-mount technology stencil production business. Mr. Cheng together with his brother-in-law, Mr. Ma, founded Eternity Technology in 2003. He first joined our Group as a director of Eternity Technology from 2 January 2003 to 23 July 2007. He joined Shenzhen Hengchang Sheng as project manager in January 2009 and has been a vice general manager since July 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chung Kik Lewis (陳仲戟), aged 46, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Chan obtained a Bachelor's Degree of Commerce in Accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has more than 21 years of experience in auditing, accounting and corporate finance. Mr. Chan is the chief financial officer and the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1452). He served as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code:719) and the Shenzhen Stock Exchange (Stock Code: 000756), from May 2014 to June 2018; and Kwan On Holdings Limited, a company which was previously listed on the GEM Board of the Stock Exchange (Stock Code: 8305) and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) in August 2016, between March 2015 and September 2016. Mr. Chan also serves as the independent non-executive director of (i) Hong Guang Lighting Holdings Company Limited, a company listed on GEM Board of the Stock Exchange (Stock Code: 8343), since December 2016; (ii) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418), since March 2017; (iii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618), since March 2017; and (iv) Wing Chi Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6080), since September 2017.

* For identification purpose only

Mr. Wu Chi-luen (吳季倫), aged 42, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Wu graduated from the Department of Mathematics (Applied Mathematics Section), College of Science and Engineering and was conferred the Degree of Bachelor of Science in June 2000 and graduated from the Graduated School of Management (Master's Program), College of Management with a Degree of Master of Business Administration in June 2002, both at the Fu-Jen Catholic University in Taiwan. Mr. Wu served as a Territory Sales Representative of Seagate Technology Taiwan Limited from October 2010 to October 2014 and has over 5 years of experience in the industry of information technology and is knowledgeable on technology trend and industry know-how. From June 2015 to January 2019 and from August 2017 to January 2019, he has been an executive director and vice chief executive officer of InvesTech Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1087).

Mr. Chow Kit Ting (周傑霆), aged 34, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Chow obtained a Bachelor Degree of Commerce with a major in Accountancy from Macquarie University in November 2007. He is a member of Certified Public Accountants (CPA) Australia and a member of Hong Kong Institute of Certified Public Accountants. From September 2007 to March 2015, Mr. Chow has worked in audit department in Deloitte Touche Tohmatsu and his last position was a manager. Mr. Chow was the financial controller and company secretary of Link Holdings Limited from March 2015 to January 2016, a company listed on GEM of the Stock Exchange of stock code: 8237. He was the financial controller and company secretary of Kin Shing Holdings Limited from February 2016 to August 2018, a company listed on the Stock Exchange of stock code: 1630. He is now the financial controller of HY Technology Holding Limited which is a supplier of precision optical products based in Singapore. He has extensive experience in accounting, corporate finance, compliance and company secretarial works.

COMPANY SECRETARY

Ms. Xu Jing (徐靜), aged 41, was appointed the Company Secretary of the Company on 28 February 2018 and is mainly responsible for the overall company secretarial matters of the Group. Ms. Xu holds a Bachelor of Management Degree from Zhongnan University of Economics and Law, majoring in Accounting. She is a fellow member of the Association of Chartered Certified Public Accountants and Hong Kong Institute of Certified Public Accontants and also a member of the Chinese Institute of Certified Public Accountants.

Ms. Xu has over 15 years of experience in financial management, tax planning, internal control and company secretarial matters.

SENIOR MANAGEMENT

Ms. Jian Xue Gen (簡雪艮), aged 33, is the financial controller of our Company since 5 December 2016 when she joined our Group, She is mainly responsible for financial reporting, financial planning, treasury and financial control of our Group. Ms. Jian obtained a Bachelor's Degree in Accounting from South China University of Technology in July 2008. She is a member of the Chinese Institute of Certified Public Accountants. Prior to joining our Company, from November 2008 to December 2016, She is also been a member of the Hong Kong Institute of Certified Public Accountants since January 2019. Ms. Jian worked at the Guangzhou branch of Ernst & Young LLP, and her last position was an audit manager.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period except the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code from the Listing Date up to the date of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provisions A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Ma currently holds both of the chairman and chief executive officer positions, as explained in the paragraph headed "Corporate Governance Practices" above in the Corporate Governance Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberations and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.

The Company annually assesses the independence of each Independent Non-executive Director during their terms of appointment. The Company has received from each of the Independent Non- executive Directors a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent from the Listing Date to the date of this report.

THE BOARD

The Board currently comprises three Executive Directors, namely Mr. Ma Fujun (chairman and chief executive officer), Ms. Chen Xiaoyuan and Mr. Cheng Bin; and three Independent Non-executive Directors, namely Mr. Chan Chung Kik Lewis, Mr. Wu Chi-luen and Mr. Chow Kit Ting. The number of Independent Non-executive Directors represents more than one third of the Board. The biographical details of and relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 10 to 11 of this annual report.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the Executive Directors possess extensive experience in management, sales and marketing and professional knowledge in business, while the three Independent Non-executive Directors possess professional knowledge and broad experience in accounting, finance and business. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders of the Company and the Company.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 39 to 43. The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors are appointed for a specific term. Each of the Directors of the Company is under a service contract with the Company for a period of three years commencing from the Listing Date.

According to Article 84(1) of the Articles of Association of the Company (the "**Articles**"), At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Articles 83(3) and 84(1) of the Articles of Association, Mr. Ma Fujun, Ms. Chen Xiaoyuan, Mr. Cheng Bin, Mr. Chan Chung Kik, Lewis, Mr. Wu Chi-luen and Mr. Chow Kit Ting will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board currently consists of one female Director. It will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

The Nomination Committee will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

PROCEEDINGS OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board may meet for the dispatch of business, adjourn and otherwise regulate its meeting and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business and, unless so fixed at any other number , shall be two. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

When a Director and the enterprise(s) involved in a proposal of a Board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal.

Set out below are details of the attendance record of each Director at the Board, committee and general meetings of the Company held from the Listing Date up to the date of this annual report:

	Attendance/Number of Meetings Held				
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
Executive Directors					
Mr. Ma Fujun	5*	2	1*	1	—
Ms. Chen Xiaoyuan	5	2	1	1	—
Mr. Cheng Bin	5	2	1	1	—
Independent Non-Executive Directors					
Mr. Chan Chung Kik Lewis	5	2	1	1	—
Mr. Wu Chi-luen	5	2*	1	1*	—
Mr. Chow Kit Ting	5	2	1	1	—

* representing chairman of the board or the committees

Pursuant to code provision A.2.7 of the CG Code, the Chairman should hold meetings with Independent Non-executive Directors without the presence of other Directors at least annually. The Company held one meeting on 29 March 2019 in accordance with the CG Code.

The Board has established three committees, namely, the audit committee ("**Audit Committee**"), the remuneration committee ("**Remuneration Committee**") and the nomination committee ("**Nomination Committee**"), for overseeing aspects of the Company's affairs. All Committees have been established with defined written terms of reference, which were posted on the Stock Exchange (www.hkex.com.hk) and the Company website (www.szeternity.com). All committees should report to the Board on their decisions or recommendations made.

All Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG Code for the purpose of 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 risk management and internal control systems of the Group. The Audit Committee 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 Group's accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

During the year ended 31 December 2018 and up to the date of this annual report, the Audit Committee has held two meetings for discussion on the audit and financial reporting related matters. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The Terms of Reference of the Audit Committee are available on the website of the Company and of the Stock Exchange.

The external auditor has been invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on the audit and financial reporting related matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG 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 the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management as well as other employee benefit arrangements. The Remuneration Committee 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.

During the year ended 31 December 2018 and up to the date of this annual report, the Remuneration Committee has held one meeting. Full minutes of the Remuneration Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are circulated to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction. The Terms of Reference of the Remuneration Committee are available on the website of the Company and of the Stock Exchange.

NOMINATION COMMITTEE

The Nomination Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG 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 consists of an Executive Director, namely Mr. Ma Fujun (Chairman), and two Independent Non-executive Directors, namely Mr. Wu Chi-luen and Mr. Chan Chung Kik, Lewis.

During the year ended 31 December 2018 and up to the date of this annual report, the Nomination Committee has held one meeting. Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings are circulated to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction. The Terms of Reference of the Nomination Committee are available on the website of the Company and of the Stock Exchange.

Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of the Group's operations with applicable laws and regulations.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the year ended 31 December 2018, the Company had arranged to provide trainings to all the Directors.

For the year ended 31 December 2018, the Directors participated in the following continuous professional development:

Name of Directors	Training organized by professional organization[1]	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Ma Fujun	V	V
Ms. Chen Xiaoyuan	V	V
Mr. Cheng Bin	V	V
Independent Non-Executive Directors		
Mr. Chan Chung Kik Lewis	V	V
Mr. Wu Chi-luen	V	V
Mr. Chow Kit Ting	V	V

Notes:

1. Professional training namely "Listed Companies' requirements on corporate governance" was arranged by the Company to update the Directors' knowledge.

2. The Company received from each of the Directors the confirmations on taking continuous professional training.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers, as its external auditor for the year ended 31 December 2018. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2018, the remuneration for the audit service provided the Company's external auditor, PricewaterhouseCoopers was approximately RMB1.4 million. During the year ended 31 December 2018, the Company's external auditor, PricewaterhouseCoopers, did not provide any non-audit service to the Group.

INTERNAL CONTROL

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the Group's business and structure. The Board is responsible for maintaining an adequate internal control system to safeguard the investments of the shareholders and Group's assets and reviewing the effectiveness of such through Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations. An annual review of the effectiveness of the system of internal controls of the Group will be conducted.

For the purpose of the Listing, the Company engaged an independent internal control adviser to review the effectiveness of the Group's material internal control system in accordance with "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organisations of the Treadway Commission. They had communicated with the Company on their findings and recommendations.

After the Listing, the Company also engaged an independent internal control adviser to carry out review on the internal control system and risk management system of the Group. The review involves all material monitoring aspects, including but not limited to finance, operation, compliance and risk management. The adviser has conducted analysis and independent assessment on the adequacy and the effectiveness of the internal control system and risk management of the Group, and has submitted the findings and recommendations to the Audit Committee and the Board. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the interest of shareholders and the Group's assets.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Ms. Xu Jing ("**Ms. Xu**") has been appointed as the Company Secretary of the Company since 28 February 2018 and is responsible for overseeing all the company secretarial matters of the Group. In the opinion of the Board, Ms. Xu possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. During the year ended 31 December 2018, Ms. Xu confirmed that she has taken no less than 15 hours of relevant professional training. The Company will provide fund for Ms. Xu to take no less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders of the Company are requested to follow article 58 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by that person (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong branch share registrar and transfer office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if then notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders or the Company may refer to the above procedures for putting forward any other proposals at general meetings.

INVESTORS RELATIONS

The Company believes that effective communication with the investors is essential for enhancing investors' relations and understanding of the Group's business operations, performances and strategies. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the websites of the Company and Stock Exchange, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office. The Company also maintains a website at www.szeternity.com where up-to-date information and updates of the Company's operations, performances and strategies are available to public access.

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) Taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Constitutional Documents

On 25 July 2018, the Company has adopted an amended and restated memorandum and articles of association which had been uploaded to the websites of the Company and the Stock Exchange. Save as disclosed above, there had been no changes in the constitutional documents of the Company during the year ended 31 December 2018.

ABOUT THIS REPORT

SCOPE AND REPORTING PERIOD

The Board is pleased to present its first Environmental, Social and Governance ("**ESG**") report, which highlights its ESG performance from 1 January 2018 to 31 December 2018 (the "**Reporting Period**").

This ESG report was prepared with reference to the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guideline**") as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

The Group is an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, 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 PCBAs and fully- assembled electronic products.

The scope of this ESG report covers the Group's business in the PRC, where the Group's principal operations are located, and its major revenue is derived. The Group's operations outside the PRC are not included in the scope as they do not have significant environmental and social impacts.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group maintains regular communications with its stakeholders from time to collect their views on the ESG aspects that they regard as relevant and important. Its key stakeholders include its employees, shareholders, customers, suppliers, professional institutions, non-governmental organisations and authorities. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, surveys, seminars and workshops.

The data and information in this ESG report are sourced from the relevant documents, reports, statistical data, management and operation information collected by the Group. The Board has approved the contents of this ESG report.

A. ENVIRONMENT

The Group acknowledges its responsibility to protect the environment and strives its best to reduce emissions and improve the efficiency in the use of resources.

The Group's operations are subject to certain environmental requirements pursuant to the laws in the PRC, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).

These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. The Group's business operations in the PRC should comply with laws and regulations concerning the environment protection.

The Group is accredited with the certification of "ISO14001:2004 Environmental management system" for the processing of PCB (SMT, test and assembly), production of the wireless data termination products (GPRS/CDMA module). During the Reporting Period, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against the Group.

EMISSIONS

In order to comply with the applicable environmental protection laws, the Group has implemented environmental protection policies, reducing air and water pollution and electricity consumption. Sources of emissions the Group mainly involved during the Reporting Period included consumption of petrol, electricity, paper and water in its business operations and business trips.

(i) Air pollutant emissions

During the Reporting Period, air pollutant emissions mainly arose from petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 389.2kg of nitrogen oxides (NOx), 0.8kg of sulphur oxides (SOx) and 34.1kg of respiratory suspended particles (PM).

(ii) Greenhouse gas emissions

Scope of greenhouse gas emissions	Emission (in tCO2e)	Percentage to total emission
Scope 1 Direct emission		
Combustion of petrol for mobile vehicles	126.00	2.4%
Scope 2 Indirect emission		
Purchased electricity	4,993.00	96.9%
Scope 3 Other indirect emission		
Paper waste disposal	0.03	0.7%
Water consumption	28.20	
Business air travel	7.30	
Total	**5,154.53**	**100%**

Notes:

1) Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

2) The above emission data does not include the removal of CO2 contributed by recycling of paper.

During the Reporting Period, the Group's activities contributed to 5,154.53 tonnes (0.30 tCO2/m2) of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission.

Petrol consumption

During the Reporting Period, the Group's motor vehicles travelled approximately 263,874 km, which contributed to 126.00 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from petrol consumption, the Group encourages its employees to use public transport when they attend business activities. For business activities that take place within walking distance, the Group encourages its employees to walk or cycle to the destination.

Electricity consumption

During the Reporting Period, the Group consumed 5,573,660 kWh of electricity in connection with its daily business operations, which contributed to 4,993.00 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from electricity consumption, the Group encourages its employees to switch off the lights and other electricity appliances when they leave office and production premises.

Paper consumption

During the Reporting Period, the Group consumed six tonnes of paper in connection with its daily business operations, which contributed to 0.03 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from paper usage, the Group encourages its employees to conserve paper, review documents on computers, send messages to customers via emails, use recycled paper and adopt double-sided printing.

Water consumption

During the Reporting Period, the Group consumed 31.5 tonnes of water in connection with its daily business operations, which contributed to 28.20 tonnes of carbon dioxide equivalent emissions. To reduce the emissions arising from water usage, the Group encourages its employees to conserve water and remember to turn off the water tap after use.

Business air travel

The Group's employees occasionally travel by air to other cities/countries for meetings with customers and suppliers. They would only travel by air when necessary and the Group keeps track of their business air travels. During the Reporting Period, business air travels of the Group's employees had contributed a total of 7.30 tonnes of carbon dioxide equivalent emission.

(iii) Hazardous waste

During the Reporting Period, the Group generated minimal amount of hazardous waste. The major hazardous waste generated by the Group was waste light tube. To minimise the impact on environment, the Group has engaged a waste collector to handle and collect the hazardous waste produced. The Group will strive to reduce hazardous waste through upgrading technologies whenever possible.

(iv) Non-hazardous waste

During the Reporting Period, the Group generated minimal amount of non-hazardous waste. The major non-hazardous waste generated by the Group were packaging materials generated from the production process and domestic waste generated in staff quarters and offices. Most of the non- hazardous waste are recycled or sold to recycling company.

Use of resources

The Group understands the importance to reduce unnecessary resource consumption and to enhance utilisation efficiency, and accordingly it has adopted a set of guidelines to achieve efficient use of energy, water and other resources for long-term sustainability.

The Group's total consumption of resources during the Reporting Period together with the relevant conservation measures adopted by the Group are detailed in the section headed "A.1 Emissions" above.

To further improve the use of resources, the Group takes the following actions on an ongoing basis:

- keep track of its consumption level of resources;
- review the effectiveness of its conservation measures; and
- design improvement measures

B. SOCIAL

1. Employment and labour practices

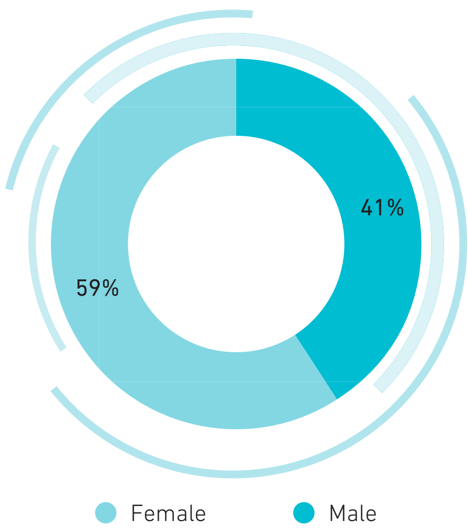
(i) Employment

Total employees and turnover

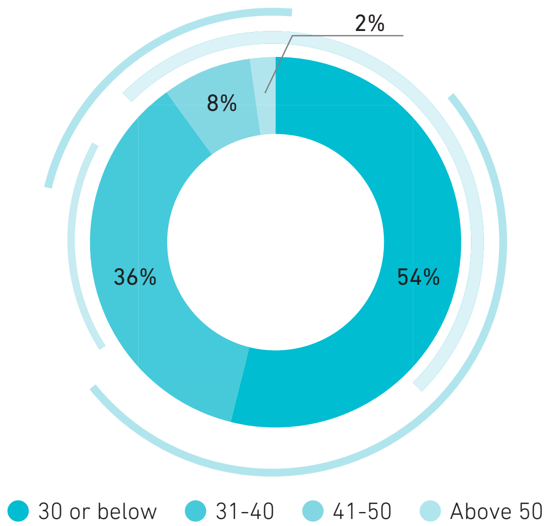
As at 31 December 2018, the Group had a total number of 378 full-time employees including 375 employees in the PRC. During the Reporting Period, the Group had a low staff turnover rate.

Set forth below are the distribution of the Group's employees as at 31 December 2018 by gender and age group:

DISTRIBUTION OF EMPLOYEES BY GENDER



DISTRIBUTION OF EMPLOYEES BY AGE GROUP



Employee benefits and welfare

The Group enters into employment contracts with its employees and the employment contract terms were stipulated under the principles of fairness, voluntarism, mutual consent, integrity and credibility. The remuneration package offered to employees includes salary, bonuses and other subsidies. In general, the remuneration package is based on each employee's qualifications, position, seniority and work performance. The Group carries out an annual review system to assess the performance of its employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions.

During the Reporting Period, the Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.

During the Reporting Period, the Group complies with the Labour Law of the PRC and did not experience any significant disputes with its employees or any disruption to business operations due to labour disputes. In addition, the Group did not experience any difficulties in the recruitment and retention of experienced core staff or skilled personnel.

Labour standards

During the Reporting Period, there was no child labour nor forced labour working in the Group. The job application requirement specifies that job applicants must be at least 18 years old. To ensure that job applicants can meet the age requirement, identities of job applicants are verified against their valid identity documents, relevant permits and certificates.

The Human Resources Department is required to carry out background checks to authenticate information provided by job applicants and is required to fill in forms that confirm the hired employees have met the age requirement. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the Reporting Period.

Equal opportunity

The Group provides equal opportunities for employees in respect of recruitment, job advancement, training and development, etc. Employees are not discriminated against or deprived of such opportunities on the basis of race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age and any other discrimination prohibited by applicable law. Employees shall not act in discriminatory manner or they can be subject to disciplinary actions.

(ii) Employee relations

The Directors consider that it is important to maintain good relationship with employees. The Group maintains regular communications with its employees by arranging gatherings, celebration activities and trainings. Through these activities, the Group would collect feedback from its employees on job satisfactions and their expectations on the Group and would implement appropriate strategies to improve the work environment and its relationship with the employees.

(iii) Employee health and safety

The Group places emphasis on occupational health and work safety. It has implemented measures in its production premise to promote occupational health and safety and to ensure compliance with applicable laws and regulations. The Group also published booklets on occupational health and safety for circulation to its employees to raise awareness of occupational health and safety among its employees. It had established a series of safety guidelines, rules and procedures for different aspects of its production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the Reporting Period, the Group had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations.

Occupational health and safety data during the Reporting Period:	
Work related fatality	—
Work injury cases >3 days	—
Work injury cases <=3 days	—
Lost days due to work injury	—

(iv) Development and training

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

a. Orientation training – To familiarise employees with the Group's objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;

b. Pre-job training – To familiarise new employees or transferred employees with their new duties;

c. On-the-job training – To ensure that the employees are familiar with the Group's products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.

2. Operating practices

(i) Supply chain management

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the Reporting Period, the Group principally sourced its major raw materials and equipment from PRC suppliers.

(ii) Product responsibility

Product assurance and recall

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

As a result of stringent quality control procedures, the Group is accredited with the certification of "ISO 9001:2008 Quality Management System" and the Group did not experience any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of its products during the Reporting Period.

The Group offers a warranty ranging from nil to 24 months from the date of the delivery of its products. It provides after-sale services such as replacing defective products for its customers during the warranty period. It also endeavours to respond to all customer support inquiries within 24 hours to ensure that it is able to address its customers' needs efficiently. During the warranty period, our Group normally allows the return and replacement of products mainly due to quality reasons. During the Reporting Period, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

Intellectual Property Rights and Information Security

The Group registered various patents and copyrights for our products and software in the PRC to protect its intellectual property rights. The Group relies on the relevant laws and regulations to protect its intellectual property rights.

During the Reporting Period, the Group was not aware of any material infringement (i) by the Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by the Group. Further, there were no pending or threatened material claims made against the Group, nor had there been any material claims made by the Group against third parties, with respect to the infringement of intellectual property rights owned by the Group.

(iii) Anti-corruption

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification.

During the Reporting Period, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

3. Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the Reporting Period, the Group focused on environmental protection as well as cultural and sport promotion. The Group made donations of RMB25,000 and also encouraged its employees to participate in charitable events. Going forward, the Group will continue to focus on satisfying community needs and increase its investment in the community.

The Directors are pleased to present to the Shareholders the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of EMS which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBA and fully-assembled electronic products. Details of the principal activities of the Company's subsidiaries are set out in notes 1 and 26 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, Financial Summary and the paragraphs below. The Group complies with the requirements under the Hong Kong Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Concentration of customers

The Group has a concentration of customers and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions.

Fluctuations in the price of raw materials

Fluctuations in the price of raw materials may affect our cost of sales and adversely affect our business operations and profitability.

Financial Risks

The financial risks of the Group exposed to are shown in note 3 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 44 to 45.

The Board does not recommend payment of final dividend for the year ended 31 December 2018 (2017: nil).

SUBSIDIARIES

Details of our subsidiaries as at 31 December 2018 are set out in note 26 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 22 May 2019 (Wednesday), the register of members of the Company will be closed from 17 May 2019 (Friday) to 22 May 2019 (Wednesday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 16 May 2019 (Thursday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 16 May 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

From the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

The Group donated RMB25,000.00 during the Reporting Period (2017: RMB nil).

MANAGEMENT CONTRACTS

During the Reporting Period, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group accounted for approximately 49.1% and 81.7% (2017: 44.9% and 80.3%) of the total sales of the year, respectively. During the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 10.9% and 32.5% (2017: 12.0% and 34.6%) of the total purchases of the year, respectively. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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 (appointed on 25 July 2018)
Mr. Chow Kit Ting (appointed on 25 July 2018)
Mr. Wu Chi-luen (appointed on 25 July 2018)

Article 84(1) of the Article of Association provide that every Director shall retire from office once every three years and for this purpose, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third but not less than one-third shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Articles, a retiring Director shall be eligible for re-election at the meeting at which he or she retires. For avoidance of doubt, each Director shall retire at least once every three years.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Articles 83(3) and 84(1) of the Articles of Association, Mr. Ma Fujun, Ms. Chen Xiaoyuan, Mr. Cheng Bin, Mr. Chan Chung Kik, Lewis, Mr. Wu Chi-luen and Mr. Chow Kit Ting will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 10 to 11 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Article of Association) and each of the Independent Non-executive Directors has enter into a service agreement with the Company for an initial term of three years commencing from the Listing Date (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Article of Association). All the service agreements may be terminated by either party by giving to the other party not less than three months' prior notice in writing.

Apart from the foregoing, no Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment or compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2018, 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

Saved as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time from the Listing Date to the date of this report was the Group, or the Company's holding company or any subsidiary of its holding company 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 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' INTEREST IN A COMPETING BUSINESS

Save as disclosed in the section headed "Connected Transactions" of this report, none of the Directors or any of their respective associates has engaged in or has any interest in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the Reporting Period and up to the date of this report.

Each of Mr. Ma, Ms. Chen, Ms. Cheng, Mr. Cheng and Rich Blessing (together the "**Controlling Shareholders**"), had entered into a non-competition deed dated 25 July 2018 (the "**Non-competition Deed**") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would procure his/her/its associates not to (other than through the Group or in respect of each covenanter (together with his/her/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognized stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

In order to ensure the Controlling Shareholders have complied with the Deed of Non-competition, each of the Controlling Shareholders has provided to the Company a written confirmation (i) in respect of his/her/its compliance with the Non-competition Deed for the Reporting Period; (ii) no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (iii) stating that they have not entered into any business which may be in competition with the business carried on by the Group from time to time. As there was no change in terms of the undertaking since the Company's listing on the Stock Exchange, the Independent Non-executive Directors of the Company are of the view that the Controlling Shareholders have complied with the Non-competition Deed and no matters are required to bring to the attention of the public.

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.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group entered into connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were exempted from disclosure requirements under the Listing Rules. Details were disclosed in Note 28 to the consolidated financial statements.

FUTURE PROSPECT AND DEVELOPMENT

With reference to the Business Strategy section of the Chairman's Statement, the Group will continue to diversify or expand our customer base and keep pace with the latest technologies to deliver PCBAs and fully assembled electronic products that can be applied to our customers' innovative electronic products and provide engineering solutions to our customers. We will continue to strive a balance among the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company established 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 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 had reviewed the audited annual results of the Group for the year ended 31 December 2018.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 22 May 2019 (Wednesday) to seek Shareholders' approval on the appointment of PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

REMUNERATION COMMITTEE

The Company established 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 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, the changes in the biographical information of the Director since the published dated of the Prospectus of the Company as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Cheng has been the director, manager and legal representative of other subsidiary of the Company Since March 2019.

Ms. Chen has been the supervisor of other subsidiary of the Company since March 2019.

Mr. Wu Chi-luen has resigned as an executive director and vice chief executive officer of InvesTech Holdings Limited (stock code: 1087) since January 2019.

Mr. Chow Kit Ting ceased to be the financial controller and company secretary of Kin Shing Holdings Limited (stock code: 1630) from August 2018 and he has been the financial controller of HY Technology Holding Limited which is a supplier of precision optical products based in Singapore since then.

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.

USE OF PROCEEDS

Details of the use of the proceeds from the Listing are set out on page 9 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with our business partners, including the customers, suppliers, bankers and other financial institutions. The Group believes that a healthy relationship can be build up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group understands the importance of environmental sustainability and protection and has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. Please refer to the ESG Report on pages 22 to 28 for details of our ESG performance.

By order of the Board

Ma Fujun
Chairman & Executive Director

Hong Kong

pwc

羅兵咸永道

To the Shareholders of Eternity Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Eternity Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 103, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is revenue recognition for the sales of goods and provision of manufacturing services.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the sales of goods and provision of manufacturing services Refer to Notes 2.21 and 5 to the consolidated financial statements. During the year ended 31 December 2018, revenue of approximately RMB546,693,000 was recognised in the Group's consolidated statement of comprehensive income. Revenue from the sales of goods transferred at a point in time is recognised when the control of goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products; revenue from the provision of manufacturing services transferred over time is recognised over the period of the contract using the input method with reference to the total actual costs incurred and the total estimated costs on completion for the services. We focused on this area due to the magnitude of revenue transactions occurred. Hence significant audit resources were allocated to audit this area.	Our audit procedures performed on revenue recognition for the sale of goods and provision of manufacturing services included: • We understood, evaluated and validated the key controls in respect of revenue recognition for the sales of goods and provision of manufacturing services; • We reviewed, on a sample basis, the sales contracts with customers and identified the terms and conditions relating to the timing of transfer of controls of goods or services, to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • We compared, on a sample basis, revenue transactions recognised during the year with delivery documents, customers' acknowledgement of sales and underlying sales invoices to determine whether revenue from the sales of goods and provision of manufacturing services had been recognised in accordance with the Group's revenue recognition policies; • We tested, on a sample basis, revenue transactions from the sales of goods recognised before and after the financial year-end to delivery documents, customers' acknowledgement of sales and underlying sales invoices to determine whether revenue from the sales of goods had been recognised in the appropriate financial period; • We tested, on a sample basis, the actual costs incurred from othe provision of manufacturing services during the year; • We assessed the total estimated costs on completion from the provision of manufacturing services by comparing with historical data of transactions under similar contracts; and

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We recalculated, on a sample basis, the revenue recognised from the provision of manufacturing services during the year based on the total actual costs incurred and the total estimated costs on completion to determine whether revenue from the provision of manufacturing services had been recognised in the appropriate financial period. Based upon the above procedures performed, we considered that the recognition of revenue from the sales of goods and provision of manufacturing services was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Income Statement

For The Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	5	**546,693**	370,162
Cost of sales	6	**(480,886)**	(309,824)
Gross profit		**65,807**	60,338
Other income	7	**3,062**	828
Other gains, net	8	**620**	1,223
Selling and distribution expenses	6	**(13,250)**	(9,534)
Administrative expenses	6	**(30,350)**	(18,404)
Operating profit		**25,889**	34,451
Finance income		**129**	99
Finance costs		**(690)**	(800)
Finance costs, net	10	**(561)**	(701)
Profit before income tax		**25,328**	33,750
Income tax expense	11	**(4,734)**	(5,239)
Profit for the year attributable to equity holders of the Company		**20,594**	28,511
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	**RMB8.13 cents**	RMB13.34 cents

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

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**20,594**	28,511
Other comprehensive income/(losses):		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**1,016**	(250)
Total comprehensive income for the year attributable to equity holders of the Company	**21,610**	28,261

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

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	13	**51,247**	13,853
Intangible assets	14	**1,618**	1,478
Deposits	16	**456**	401
Deferred income tax assets	21	**501**	1,085
		53,822	16,817
Current assets			
Inventories	17	**48,714**	31,449
Contract assets	19	**10,699**	—
Trade and bills receivables	19	**111,955**	71,090
Prepayments, deposits and other receivables	16	**10,466**	10,425
Pledged bank deposits	18	**3,300**	—
Cash and cash equivalents	18	**137,678**	53,134
		322,812	166,098
Total assets		**376,634**	182,915
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**2,619**	—
Share premium	20	**110,868**	12,165
Retained earnings		**73,656**	55,604
Reserves		**22,148**	18,590
Total equity		**209,291**	86,359
LIABILITIES			
Current liabilities			
Trade payables	22	**107,624**	55,632
Other payables and accruals	23	**22,070**	19,700
Finance lease liability	24	**10,966**	—
Contract liabilities	23	**18,614**	11,389
Bank borrowings	24	**2,200**	5,000
Current income tax liabilities		**5,869**	4,835
Total liabilities		**167,343**	96,556
Total equity and liabilities		**376,634**	182,915

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

The consolidated financial statements on page 44 to 103 were approved by the Board of Director on 29 March 2019 and were signed on its behalf.

Ma Fujun
Director

Chen Xiaoyuan
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2018

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000 Note (a)	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	—	12,165	6,316	12,662	(388)	55,604	86,359
Comprehensive income							
Profit for the year	—	—	—	—	—	20,594	20,594
Other comprehensive income							
Currency translation differences	—	—	—	—	1,016	—	1,016
Total comprehensive income	—	—	—	—	1,016	20,594	21,610
Transactions with owners							
Issuance of shares upon the listing (Note 20)	655	113,939	—	—	—	—	114,594
Capitalisation issue (Note 20)	1,964	(1,964)	—	—	—	—	—
Share issuance costs (Note 20)	—	(13,272)	—	—	—	—	(13,272)
Appropriation (Note (b))	—	—	2,542	—	—	(2,542)	—
Total transaction with owners	2,619	98,703	2,542	—	—	(2,542)	101,322
Balance at 31 December 2018	2,619	110,868	8,858	12,662	628	73,656	209,291

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2018

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve 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 year	—	—	—	—	—	28,511	28,511
Other comprehensive losses							
Currency translation differences	—	—	—	—	(250)	—	(250)
Total comprehensive income	—	—	—	—	(250)	28,511	28,261
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))	—	—	2,965	—	—	(2,965)	—
Total transactions with owners	—	12,165	2,965	662	—	(2,965)	12,827
Balance at 31 December 2017	—	12,165	6,316	12,662	(388)	55,604	86,359

Notes:

(a) Other reserve as at 31 December 2018 and 2017 represented the 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 People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current period. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

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

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	25(a)	18,728	38,249
Income tax paid		(3,206)	(9,175)
Interest received		129	99
Net cash generated from operating activities		15,651	29,173
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		(39,811)	(5,091)
Proceeds from disposal of properties, plant and equipment	25(b)	1,147	1,129
Purchase of intangible assets		(599)	(119)
Net cash (used in)/generated from investing activities		(39,263)	16,234
Cash flows from financing activities			
Proceeds from bank borrowings	25(c)	12,866	14,316
Proceeds from loans from shareholders	1.2(h)	—	19,692
Proceeds from issuance of ordinary shares of the Company	1.2(g)	—	12,165
Proceeds from sales and finance leaseback arrangement	25(c)	12,699	—
Payment of sales and finance leaseback arrangement cost	25(c)	(914)	—
Gross proceeds from issuance of ordinary shares upon listing		114,594	—
Consideration paid for the acquisition of subsidiaries in respect of reorganisation		—	(19,949)
Repayment of bank borrowings	25(c)	(15,666)	(21,642)
Payment of bank charges and interests on bank borrowings		(614)	(800)
Payment of interest element of finance lease liability	25(c)	(76)	—
Change in pledged bank deposits		(3,300)	1,490
Advance from a related party		—	6,080
Repayment to a related party		—	(2,080)
Proceeds from amounts due to related parties		—	8,130
Repayment of amounts due to related parties		—	(29,716)
Payment of listing expenses		(11,829)	(1,443)
Capital injection from a shareholder	1.2(c)	—	919
Payment of capital element of finance lease liability	25(c)	(606)	—
Net cash generated from/(used in) from financing activities		107,154	(12,838)
Net increase in cash and cash equivalents		83,542	32,569
Cash and cash equivalents at beginning of the year		53,134	21,241
Currency translation differences		1,002	(676)
Cash and cash equivalents at end of the year		137,678	53,134

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

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**"). 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 shareholder of the Group is Mr. Ma Fujun ("**Mr. Ma**").

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on 16 August 2018.

These consolidated financial statements are presented in unit of Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors on 29 March 2019.

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 the 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**") was incorporated in Hong Kong and controlled by Total United, a wholly owned subsidiary of the Company.

(e) On 12 May 2017, Agreeable 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The Group has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 "Financial Instruments"
- HKFRS 15 "Revenue from Contracts with Customers"
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Most of the new standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has adopted HKFRS 15 using the full retrospective approach with which the relevant accounting policies have been consistently applied to the consolidated financial statements of the Group throughout the years 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

Pursuant to the adoption of HKFRS 9 and 15, there has 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 consolidated financial statements during the year ended 31 December 2018.

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

The following new standards, amendments and interpretation to existing standards, which are relevant to the Group, have been issued and are effective for future reporting periods and have not been early adopted by the Group.

		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 19 (Amendments)	Plan amendments, curtailment or settlement	1 January 2019
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
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

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 standards and set out below are the expected impact on the Group's financial performance and position:

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating and finance leases. The Group's current accounting policy for these leases is set out in Note 2.24 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, falling due as follows:

	As at 31 December	
	2018	2017
No later than 1 year	**3,949**	7,635
Later than 1 year and no later than 5 years	**3,225**	5,542
	7,174	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 sheet. 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 consolidated income statement 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 financial year ending 31 December 2019.

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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financer under comparable terms and conditions.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(d) Merger accounting for common control combinations

During the year ended 31 December 2017, the Group has completed the Reorganisation as set out in Note 1.2 under which the Company acquired subsidiaries which were under common control of Mr. Ma since their dates of incorporation. These acquisitions were regarded as "business combination under common control" and are accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within 'other gains, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Properties, plant and equipment

Properties, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of properties, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The properties, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is reasonable certainty that the Group will obtain ownership at the end of the lease term. Otherwise, the properties, plant and equipment will be depreciated over the lease term.

Gain or loss on disposal are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

System software

Acquired system software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of three to five years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

The Group has applied HKFRS 9 using the modified retrospective approach with which the accounting policies have been consistently applied to the consolidated financial statements of the Group throughout the years presented. The cumulated 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.

2.8.1 Classification

For the year ended 31 December 2018

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.1 Classification (Continued)

For the year ended 31 December 2017

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. held for trading. They are presented as current assets if they are expected to be sold within twelve months after the end of the reporting period; otherwise they are presented as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise trade, bills and other receivables and cash and cash equivalents. (Notes 2.11 and 2.13).

2.8.2 Recognition and measurement

For the year ended 31 December 2018

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in 'other gain, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement (Continued)

Debt instruments (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in 'other gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains, net' and impairment expenses are presented as separate line item in the consolidated income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in consolidated income statement and presented net within 'other gains, net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other gains, net' in the period in which they arise. Dividend income from financial assets at fair value through consolidated income statement is recognised within 'other income' when the Group's right to receive payments is established.

For the year ended 31 December 2017

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other gains net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised within 'other income' when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

2.8.3 Derecognition

For the year ended 31 December 2018

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

For the year ended 31 December 2017

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

For the year ended 31 December 2018

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(iii) sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For contract assets, trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the contract assets and receivables. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets, trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

For the year ended 31 December 2017

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

For the year ended 31 December 2017 (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group, may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.11 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially of fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the year-end date.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

(b) Other long-term employee benefit obligations

The liabilities for annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Defined contribution plans

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods and the services rendered in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

(a) Sales of goods

Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(b) Provision of manufacturing services

Rendering of manufacturing services is recognised when or as the control of the services is transferred to the customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the services may transfer over time or at a point in time. Control of the services is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue from manufacturing service contracts is recognised over time using the input method with reference to the total actual costs incurred and the total estimated costs on completion for the manufacturing services.

2.22 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

2.24 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 24). Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend are approved by the Company's shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated income statement over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

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.

3.1 Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD") and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, which are denominated in these currencies.

During the years ended 31 December 2018 and 2017, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2018 and 2017, if USD had strengthened/weakened by 1% against RMB, with all other variables held constant, pre-tax profit for each year would have changed mainly as a result of foreign exchange losses/gains on translation of USD denominated cash and cash equivalents, trade, bills and other receivables and trade and other payables.

	2018 RMB'000	2017 RMB'000
Pre-tax profit (decrease)/increase		
– Strengthened 1%	(149)	(55)
– Weakened 1%	149	55

(ii) Interest rate risk

The Group's interest rate risk is mainly attributable to its pledged bank deposits, cash at banks and bank borrowings with floating interest rates. Details of the Group's pledged bank deposits, cash and cash equivalents, and borrowings have been disclosed in Notes 18 and 24 to the consolidated financial statements respectively.

Other than pledged bank deposits, cash at banks and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

As at 31 December 2018, if interest rates on pledged bank deposits, cash at banks and bank borrowings had been 100 basis points higher/lower with all variables held constant, profit before income tax for the year then ended would have been approximately RMB1,387,000 (2017: RMB481,000) higher/lower, mainly as a result of higher/lower of interest income on the pledged bank deposits and cash at banks netted with interest expenses on the bank borrowings respectively.

(iii) Credit risk

The credit risk of the Group mainly arises from pledged bank deposits, cash at banks, contract assets and trade, bills and other receivables.

The carrying amounts of each financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's pledged bank deposits and cash and cash equivalents were deposited with high quality financial institutions. Therefore, the Group does not expect any significant losses arising from non-performance by these counterparties.

For the year ended 31 December 2018, 82% (2017: 80%) of the Group's revenue was derived from its top five customers. As at 31 December 2018, 80% (2017: 77%) of the total trade and bills receivables were due from the Group's top five customers.

The credit risk on pledged bank deposits and cash at banks are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iii) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has two types of financial asset that is subject to the expected credit loss models:

- Contract assets, trade and bills receivables
- Other financial assets carried at amortised cost

Contract assets, trade and bills receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets, trade and bills receivables.

To measure the expected credit losses, contract assets, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

Contract assets, trade and bills receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Group, and a failure to make contractual payments.

Based on the Group's assessment, expected credit loss rate of these contract assets, trade and bills receivables is close to zero. Therefore, the loss allowance provision for these balances was not material and no provision was recognised.

Impairment losses on contract assets, trade and bills receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include deposits and other receivables in the consolidated balance sheet. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2018 and 2017, management considered the credit risk of deposits and other receivables as low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these deposits and other receivables were immaterial under 12-month expected losses method. Therefore, the loss allowance provision for these balances was close to zero and no provision was recognised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2018, the Group held cash and cash equivalents of approximately RMB137,678,000 (2017: RMB53,134,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2018, the Group's total undrawn banking facilities amounted to approximately RMB62,800,000 (2017: RMB19,000,000), and the Group's total drawn banking facilities amounted to approximately RMB2,200,000 (2017: RMB5,000,000).

The above undrawn facilities are secured by certain properties with carrying amounts of approximately RMB4,431,000 and pledged bank deposits amounting to approximately RMB3,300,000.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank borrowings and finance lease liability which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	Repayable on demand RMB'000	**Less than 1 year RMB'000**	**Total RMB'000**
At 31 December 2018			
Trade payables	**—**	**107,624**	**107,624**
Other payables and accruals	**—**	**9,197**	**9,197**
Bank borrowings - principal portion	**2,200**	**—**	**2,200**
Finance lease liability - principal portion	**10,966**	**—**	**10,966**
	13,166	**116,821**	**129,987**

	Repayable on demand RMB'000	Less than 1 year RMB'000	Total RMB'000
At 31 December 2017			
Trade payables	—	55,632	55,632
Other payables and accruals	—	3,828	3,828
Bank borrowings - principal portion	5,000	—	5,000
	5,000	59,460	64,460

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the bank borrowings and finance lease liability of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2018				
Bank borrowings				
– Principal portion	**2,200**	**—**	**—**	**2,200**
– Interest portion	**30**	**—**	**—**	**30**
Finance lease liability				
– Principal portion	**3,725**	**3,882**	**3,359**	**10,966**
– Interest portion	**382**	**226**	**64**	**672**
	6,337	**4,108**	**3,423**	**13,868**
At 31 December 2017				
Bank borrowings				
– Principal portion	5,000	—	—	5,000
– Interest portion	319	—	—	319
	5,319	—	—	5,319

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt represents total borrowings. Total capital represents total equity, as shown in the consolidated balance sheet. The total debt to total capital ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Total borrowings (bank borrowings and finance lease liability)	**13,166**	5,000
Total equity	**209,291**	86,359
Total debt to total capital ratio	**6%**	6%

The total capital ratio remained unchanged at approximately 6% as at 31 December 2018 and 2017. It was mainly due to the increase in borrowings being offset by increase in equity resulted from the share offering upon Listing and current year's profit.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities include cash and cash equivalents, pledged bank deposits, trade and bills receivables, deposit and other receivables, trade payables, other payables, bank borrowings and finance lease liability approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

4.2 Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

4.3 Impairment of receivables and contract assets

The Group makes provision for impairment of receivables and contract assets based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of receivables and contract assets requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and contract assets and loss for the impairment of receivables and contract assets recognised in the periods in which such estimates have been changed.

5 REVENUE AND SEGMENT INFORMATION

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

The CODM 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue from contracts with customers

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

	2018 RMB'000	2017 RMB'000
Timing of revenue recognition		
At a point in time – sales of goods	**481,812**	370,162
Over time – provision of services	**64,881**	—
	546,693	370,162

(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:

	2018 RMB'000	2017 RMB'000
The PRC	**422,327**	333,650
The United States of America	**5,098**	6,828
Mexico	**97,108**	16,502
Others *(Note)*	**22,160**	13,182
	546,693	370,162

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

(c) Details of contract liabilities

	2018 RMB'000	2017 RMB'000
Contract liabilities (Note 23)	**18,614**	11,389

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. As at 31 December 2018 and 2017, the contract liabilities mainly included the advance payments received from sale of electronic products. The balances of contract liabilities fluctuated during the years ended 31 December 2018 and 2017 due to fluctuation in sales with advanced payments.

(ii) During the years ended 31 December 2018 and 2017, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(d) Non-current assets by geographical location

All of the Group's non-current assets other than deferred tax assets and intangible assets are located in the PRC.

6 EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Cost of raw materials used	407,973	239,449
Consumables	3,460	3,464
Subcontracting charges	23,911	22,950
Employee benefit expenses and manpower services expenses, including Directors' emoluments (Notes 9 and 30)	34,790	34,980
Operating lease rentals in respect of:		
– machinery	11,023	8,658
– offices, warehouses, production plant and staff quarters	3,205	2,700
Utilities	3,652	3,226
Amortisation (Note 14)	459	361
Depreciation (Note 13)	2,550	2,337
Auditor's remuneration		
– Audit services (excluding listing expenses)	1,500	6
– Non-audit services	—	—
Listing expenses	14,638	5,642
Professional fees	1,106	221
Provision for inventories (Note 17)	1,940	1,072
Transportation	4,130	2,114
Service fees for product development	2,004	2,531
Commission expenses	820	1,381
Repairs and maintenance	1,265	928
Others	6,060	5,742
Total cost of sales, selling and distribution and administrative expenses	524,486	337,762

7 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants	**3,062**	828

8 OTHER GAINS, NET

	2018 RMB'000	2017 RMB'000
Exchange differences	**(192)**	420
Net realised and unrealised gains on financial assets at fair value through profit or loss	**—**	61
Gain on disposal of properties, plant and equipment	**812**	742
	620	1,223

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICE EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	**30,486**	29,368
Pension costs - defined contribution plans (Note a)	**3,119**	1,951
Other staff welfares	**368**	157
Total employee benefit expenses (including Directors' remunerations)	**33,973**	31,476
Manpower service expenses (Note b)	**817**	3,504
	34,790	34,980

(a) Pension costs — defined contribution plans

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2018 and 2017, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service expenses

During the years ended 31 December 2018 and 2017, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICE EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three directors for the year ended 31 December 2018 (2017: three), whose emoluments are reflected in the analysis presented in Note 30. The emoluments payable to the remaining two individuals for the year ended 31 December 2018 (2017: two) are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	1,174	1,095
Pension costs – defined contribution plans	122	127
	1,296	1,222

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Not more than HK$500,000	—	—
HK$500,001 – HK$1,000,000	2	2
	2	2

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income on cash and cash equivalent and pledged bank deposits	129	99
Finance costs		
Interest expense on bank borrowings	(452)	(615)
Interest expense on finance lease liability	(76)	—
Bank charges	(162)	(185)
	(690)	(800)
Finance costs, net	(561)	(701)

11 INCOME TAX EXPENSE

During the years ended 31 December 2018 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2018 and 2017, the Group's subsidiary in the PRC has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

	2018 RMB'000	2017 RMB'000
Current income tax		
– PRC corporate income tax ("CIT")	2,574	4,724
– Hong Kong profits tax	2,268	414
– Over-provision in prior years	(692)	—
Total current income tax	4,150	5,138
Deferred income tax (Note 21)	584	101
Income tax expense	4,734	5,239

The taxation on the Group's profit before income tax differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits of subsidiaries of the Group as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	25,328	33,750
Tax calculated at tax rates applicable to profits of the respective subsidiaries	3,753	5,031
Tax effect of:		
Income not subject to tax	(10)	—
Expenses not deductible for tax purpose	3,169	894
Over-provision in prior years	(692)	—
Tax exemption and rebate	(1,486)	(686)
Income tax expense	4,734	5,239

The changes in the weighted average applicable tax rates were mainly due to the changes in the proportion of the taxable profits under Hong Kong profits tax and PRC CIT which were subject to different applicable tax rates.

The increase in effective tax rate for the year ended 31 December 2018 was mainly attributable to the listing expenses incurred that were not deductible for tax purpose.

12 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 years ended 31 December 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 capitalisation issue which took place on 25 July 2018 as set out in Note 20.

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**20,594**	28,511
Weighted average number of ordinary shares in issue (thousands of shares)	**253,356**	213,729
Basic and diluted earnings per share (RMB cents)	**8.13**	13.34

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017.

13 PROPERTIES, PLANT AND EQUIPMENT

	Buildings RMB'000	**Furniture and fixtures RMB'000**	**Office equipment RMB'000**	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
At 1 January 2017						
Cost	6,015	503	1,696	87,384	1,385	96,983
Accumulated depreciation	(983)	(462)	(843)	(82,218)	(1,168)	(85,674)
Net book amount	5,032	41	853	5,166	217	11,309
Year ended 31 December 2017						
Opening net book amount	5,032	41	853	5,166	217	11,309
Additions	—	—	988	3,686	615	5,289
Depreciation	(301)	(17)	(369)	(1,519)	(152)	(2,358)
Disposals	—	—	(4)	(383)	—	(387)
Closing net book amount	4,731	24	1,468	6,950	680	13,853
At 31 December 2017						
Cost	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	4,731	24	1,468	6,950	680	13,853
Year ended 31 December 2018						
Opening net book amount	**4,731**	**24**	**1,468**	**6,950**	**680**	**13,853**
Additions	**—**	**—**	**375**	**38,857**	**1,106**	**40,338**
Depreciation	**(301)**	**(14)**	**(478)**	**(1,527)**	**(312)**	**(2,632)**
Disposals	**—**	**—**	**—**	**(335)**	**—**	**(335)**
Exchange difference	**—**	**—**	**—**	**—**	**23**	**23**
Closing net book amount	**4,430**	**10**	**1,365**	**43,945**	**1,497**	**51,247**
At 31 December 2018						
Cost	**6,015**	**484**	**2,859**	**93,197**	**3,130**	**105,685**
Accumulated depreciation	**(1,585)**	**(474)**	**(1,494)**	**(49,252)**	**(1,633)**	**(54,438)**
Net book amount	**4,430**	**10**	**1,365**	**43,945**	**1,497**	**51,247**

13 PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

During the year ended 31 December 2018, depreciation expenses of approximately RMB541,000 (2017: RMB495,000) were charged in administrative expenses; approximately RMB183,000 (2017: RMB122,000) were charged in selling and distribution expense; approximately RMB1,826,000 (2017: RMB1,720,000) were charged in cost of sales; and approximately RMB82,000 (2017: RMB21,000) were included in inventories.

(i) Leased assets

As at 31 December 2018, the balance of plant and machinery included the following amounts which the Group leased, as a lessee, under a finance lease (as set out in Note 24):

	2018 RMB'000
Leased plant and machinery	
Cost	12,699
Accumulated depreciation	—
Net book amount	12,699

14 INTANGIBLE ASSETS

	System software RMB'000
At 1 January 2017	
Cost	1,873
Accumulated amortisation	(153)
Net book amount	1,720
Year ended 31 December 2017	
Opening net book amount	1,720
Additions	119
Amortisation	(361)
Closing net book amount	1,478
At 31 December 2017	
Cost	1,881
Accumulated amortisation	(403)
Net book amount	1,478
Year ended 31 December 2018	
Opening net book amount	**1,478**
Additions	**599**
Amortisation	**(459)**
Closing net book amount	**1,618**
At 31 December 2018	
Cost	**2,480**
Accumulated amortisation	**(862)**
Net book amount	**1,618**

During the year ended 31 December 2018, amortisation expenses of approximately RMB83,000 (2017: RMB51,000) and approximately RMB376,000 (2017: RMB310,000) were charged in administrative expenses and cost of sales respectively.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost RMB'000
31 December 2018	
Assets as per consolidated balance sheet	
Trade and bills receivables (Note 19)	111,955
Deposits and other receivables (Note 16)	1,450
Pledged bank deposits (Note 18)	3,300
Cash and cash equivalents (Note 18)	137,678
	254,383

	Loans and receivables RMB'000
31 December 2017	
Assets as per consolidated balance sheet	
Trade and bills receivables (Note 19)	71,090
Deposits and other receivables (Note 16)	5,489
Cash and cash equivalents (Note 18)	53,134
	129,713

15 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial liabilities at amortised cost RMB'000
31 December 2018	
Liabilities as per consolidated balance sheet	
Trade payables (Note 22)	**107,624**
Other payables and accruals (Note 23)	**9,197**
Bank borrowings (Note 24)	**2,200**
Finance lease liability (Note 24)	**10,966**
	129,987

	Financial liabilities at amortised cost RMB'000
31 December 2017	
Liabilities as per consolidated balance sheet	
Trade payables (Note 22)	55,632
Other payables and accruals (Note 23)	3,828
Bank borrowings (Note 24)	5,000
	64,460

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Current portion		
Prepayments	9,472	3,851
Deposits (Note a)	64	4,414
Other receivables (Notes a and b)	930	674
Prepaid listing expenses (Note c)	—	1,486
	10,466	10,425
Non-current portion		
Deposits (Note a)	456	401
	10,922	10,826

Notes:

(a) As at 31 December 2018 and 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 as at 31 December 2017 were incurred in connection with the listing of the Group and were deducted from equity upon listing during the year ended 31 December 2018.

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	5,261	7,857
USD	4,227	31
HK$	1,434	2,938
	10,922	10,826

17 INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	33,960	25,477
Work in progress	3,334	982
Finished goods	11,420	4,990
	48,714	31,449

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2018 amounted to approximately RMB479,947,000 (2017: RMB308,439,000) which included inventory provision amounting to approximately RMB1,940,000 (2017: RMB1,072,000).

18 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2018 RMB'000	2017 RMB'000
Cash at banks	**137,561**	53,032
Cash on hand	**117**	102
Cash and cash equivalents	**137,678**	53,134
Pledged bank deposits	**3,300**	—
Maximum exposure to credit risk	**140,861**	53,032

As at 31 December 2018, deposits amounted to approximately RMB3,300,000 were pledged for the facilities granted by banks to the Group, details of which are set out in Note 24.

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2018 RMB'000	2017 RMB'000
Cash at banks and on hands	**137,678**	53,134

The carrying amounts of the Group's cash and cash equivalents and pledged bank deposits were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**51,397**	36,419
USD	**27,701**	7,015
HK$	**61,880**	9,700
	140,978	53,134

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2018, the weighted average interest rate of pledged bank deposits was 1.64% (2017: nil).

As at 31 December 2018 and 2017, the carrying amounts of cash and cash equivalents and pledged bank deposits approximated their fair values.

As at 31 December 2018, cash and cash equivalent of the Group amounting to approximately RMB72,504,000 (2017: RMB39,296,000) were deposited with the banks in the PRC where the remittance of funds out of the PRC was subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

19 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Contract assets	10,699	—
Trade receivables	78,545	61,490
Bills receivables	33,410	9,600
Trade and bills receivables	111,955	71,090
Contract assets, trade and bills receivables	122,654	71,090

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 31 December 2018 represented the amounts of services that were completed but unbilled before the year-end.

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

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

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

	2018 RMB'000	2017 RMB'000
1 to 3 months	106,981	69,248
Over 3 months	4,974	1,842
	111,955	71,090

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

	2018 RMB'000	2017 RMB'000
Current	93,440	62,684
1 to 3 months	16,055	6,564
Over 3 months	2,460	1,842
	111,955	71,090

As at 31 December 2018 and 2017, trade receivables of approximately RMB18,515,000 and RMB8,406,000 were past due respectively.

For these past due trade receivables, the Group assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables was close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

19 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES (CONTINUED)

The carrying amounts of the Group's contract assets, trade and bills receivables were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	116,521	67,462
USD	6,133	3,628
	122,654	71,090

The maximum exposure to credit risk as at 31 December 2018 and 2017 was the carrying value of the contract assets and receivables mentioned above. The Group does not hold any collateral as security.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value HK$
Share capital		
Authorised:		
At 15 March 2017 (date of incorporation) and 31 December 2017 and 1 January 2018	38,000,000	380,000
Increase in authorised shares (Note a)	7,962,000,000	79,620,000
Ordinary shares of HK$0.01 each as at 31 December 2018	8,000,000,000	80,000,000

	Number of shares	Nominal value HK$	Share premium HK$
Issued:			
At 15 March 2017 (date of incorporation) (Note 1.2(a))	340	3	—
Issue of ordinary shares on 18 May 2017 and 8 June 2017 (Note 1.2(g) & (j))	140	1	13,859,999
At 31 December 2017 and 1 January 2018	480	4	13,859,999
Capitalisation issue (Note b)	224,999,520	2,249,996	(2,249,996)
Issuances of Shares upon the Listing (Note c)	75,000,000	750,000	130,500,000
Share issuance costs (Note c)	—	—	(15,149,433)
At 31 December 2018	300,000,000	3,000,000	129,960,570

20 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Notes:

(a) On 25 July 2018, the authorised share capital of the Company was increased to HK$80,000,000 comprising 8,000,000,000 shares of HK$0.01 each.

(b) 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 existing shareholdings in the Company through the capitalisation of HK$2,249,996 (approximately RMB1,964,000) standing to the credit of the share premium account of the Company.

(c) 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 for a total proceeds (before related fees and expenses) of HK$131,250,000 (approximately RMB114,594,000). Total share issuance costs amounting to HK$15,149,433 (approximately RMB13,272,000) were accounted for as a deduction from share premium.

21 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The analysis of deferred income tax assets was as follows:

	2018 **RMB'000**	2017 RMB'000
Deferred tax assets to be recovered after more than 12 months	**175**	279
Deferred tax asset to be recovered within 12 months	**326**	806
	501	1,085

The gross movement on the deferred income tax assets was as follows:

	2018 **RMB'000**	2017 RMB'000
At beginning of year	**1,085**	1,186
Charged to consolidated income statement (Note 11)	**(584)**	(101)
At end of year	**501**	1,085

21 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2018 and 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets/(liabilities)	Tax depreciation RMB'000	PRC accrued expenses RMB'000	Contract assets RMB'000	Total RMB'000
At 1 January 2017	423	763	—	1,186
(Charged)/credited to the consolidated income statement	(118)	17	—	(101)
At 31 December 2017 and 1 January 2018	305	780	—	1,085
(Charged)/credited to the consolidated income statement	(308)	124	(400)	(584)
At 31 December 2018	(3)	904	(400)	501

The Group had undistributed earnings of approximately RMB90,506,000 as at 31 December 2018 (2017: RMB62,949,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

22 TRADE PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**107,624**	55,632

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**61,137**	24,467
1 to 2 months	**21,656**	13,976
2 to 3 months	**10,780**	11,183
Over 3 months	**14,051**	6,006
	107,624	55,632

22 TRADE PAYABLES (CONTINUED)

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**94,243**	45,561
USD	**13,381**	10,071
	107,624	55,632

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

23 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Other payables	**6,749**	2,548
Other tax payables	**1,892**	5,743
Accruals	**13,429**	10,847
Accrued listing expenses	**—**	562
Contract liabilities (Note 5(c))	**18,614**	11,389
	40,684	31,089

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

The carrying amounts of the Group's contract liabilities, other payables and accruals were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	**23,280**	22,713
USD	**16,526**	8,067
HK$	**878**	309
	40,684	31,089

24 BORROWINGS

Borrowings were analysed as follows:

	2018 RMB'000	2017 RMB'000
Current		
Bank borrowings - secured (Note i)	**2,200**	5,000
Finance lease liability - secured (Note ii)	**10,966**	—
Total borrowings	**13,166**	5,000

(i) Bank borrowings

As at 31 December 2018 and 2017, the weighted average interest rate per annum of the Group's bank borrowings was 5.86% and 6.82% respectively.

As at 31 December 2018 and 2017, the carrying amounts of the bank borrowings approximated their fair values.

As at 31 December 2018, the Group's bank borrowings were secured by pledged bank deposit amounting to RMB3,300,000 and a corporate guarantee provided by the Company.

As at 31 December 2017, the Group's bank borrowings were secured by personal guarantees by Mr. Ma and Ms. Cheng Lihong, and properties amounting to approximately RMB4,731,000.

The personal guarantees provided by Mr. Ma and Ms. Cheng Lihong were replaced by corporate guarantee provided by the Company upon the Listing during the year ended 31 December 2018 .

As at 31 December 2018 and 2017, the Group's borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**2,200**	5,000

The carrying amounts of the Group's bank borrowings are denominated in RMB.

24 BORROWINGS (CONTINUED)

(ii) Finance lease liability

On 31 December 2018, the Group entered into a sales and finance lease back arrangement with a bank in respect of various equipment that the Group purchased on the same day.

Pursuant to the arrangement, the Group sold various equipment with a carrying amount of approximately RMB12,699,000 to the bank for a total proceeds of approximately RMB12,699,000. At the same time, the Group entered into a finance lease agreement with the bank to lease back these sold equipment.

The finance lease carries interest rate at 4.2% per annum, has a term of three years, and contains a repurchase option that can be exercised at USD150 by the Group at the end of lease term.

The finance lease also has a repayable on demand clause which can be exercised at the bank's sole discretion. Accordingly, the finance lease liability is classified as current liability without being discounted.

The minimum lease payments, lease liability and the future payment thereof as at 31 December 2018, relating to the aforementioned finance lease and expressed in terms of their net present value, are set out in the following table:

	2018 RMB'000
Commitments in relation to the finance lease are payable as follows:	
Within one year	4,107
Later than one year but not later than five years	7,531
Minimum lease payments	11,638
Future finance charges	(672)
Total lease liability	10,966
The present value of the finance lease liability is as follows:	
Within one year	3,725
Later than one year but not later than five years	7,241
Minimum lease payments	10,966

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2018 RMB'000	2017 RMB'000
Profit before income tax	25,328	33,750
Adjustments for:		
Finance income	(129)	(99)
Finance costs	690	800
Depreciation	2,550	2,337
Amortisation	459	361
Provision for inventories	1,940	1,072
Net realised and unrealised gains on financial assets at fair value through profit or loss	—	(61)
Gain on disposal of properties, plant and equipment	(812)	(742)
	30,026	37,418
Changes in working capital:		
– Contract assets, trade and bills receivables	(51,469)	9,447
– Prepayments, deposits and other receivables	(1,563)	(5,568)
– Inventories	(19,123)	(10,894)
– Trade payables	51,992	2,130
– Contract liabilities, other payables and accruals	8,865	5,716
Cash generated from operations	18,728	38,249

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprised:

	2018 RMB'000	2017 RMB'000
Net book amount disposed	335	387
Gain on disposal of properties, plant and equipment	812	742
Proceeds from disposal of properties, plant and equipment	1,147	1,129

(c) The reconciliations of liabilities arising from financing activities were as follows:

	Amounts due to related parties RMB'000	Bank borrowings RMB'000	Finance lease liability RMB'000
At 1 January 2017	22,382	12,326	—
Cash flows			
– Proceeds from bank borrowings	—	14,316	—
– Repayment of bank borrowings	—	(21,642)	—
– Proceeds from amounts due to related parties	8,130	—	—
– Repayment of amounts due to related parties	(29,716)	—	—
Other non-cash movement			
– Currency translation differences	(796)	—	—
At 31 December 2017 and 1 January 2018	—	5,000	—
Cash flows			
– Proceeds from bank borrowings	—	12,866	—
– Repayment of bank borrowings	—	(15,666)	—
– Proceeds from sales and finance leaseback arrangement	—	—	12,699
– Payment of sales and finance leaseback arrangement cost	—	—	(914)
– Payment of capital element of finance lease liability	—	—	(606)
– Payment of interest element of finance lease liability	—	—	(76)
– Payment of interests on bank borrowings	—	(452)	—
Other non-cash movements			
– Interest expense on finance lease liability	—	—	76
– Interest expense on bank borrowings	—	452	—
– Currency translation differences	—	—	(213)
At 31 December 2018	—	2,200	10,966

26 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The countries of incorporation or registration are also their principal place of business.

				Ownership interest held by the Group	
				2018	2017
Name	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued/registed share capital**	**Interest held**	**Interest held**
Total United Holdings Limited*	British Virgin Islands ("BVI"), limited company	Investment holding in BVI	USD1	100%	100%
Agreeable Company Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	100%	100%
Shenzhen Hengchang Sheng#	The PRC, limited liability company	Electronic manufacturing services in the PRC	RMB38,692,579	100%	100%
Eternity Technology Limited#	Hong Kong, limited liability company	Sales of electronic products in Hong Kong	HK$2	100%	100%

* Equity interest directly held by the Company.

\# Equity interest indirectly held by the Company.

27 COMMITMENTS

(a) Capital commitments

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

	2018 RMB'000	2017 RMB'000
Contracted but not provided for	1,370	—

(b) Operating lease commitments

At 31 December 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases in respect of offices, warehouses, production plant and staff quarters are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	3,949	7,635
After 1 year and no later than 5 years	3,225	5,542
	7,174	13,177

28 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 the ultimate controlling shareholder are disclosed in Note 1.1.

Major related parties that had transactions with the Group during the years ended 31 December 2018 and 2017 were as follows:

Related parties	Relationship with the Company
Ma Fujun	Director and controlling shareholder
Cheng Lihong	Shareholder
Chen Xiaoyuan	Director and shareholder
Cheng Bin	Director and shareholder
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (formerly known as 深圳前海恒昌盛電子科技有限公司)	Controlled by a Director

* *For identification purpose only*

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties during the years ended 31 December 2018 and 2017, at terms mutually agreed by both parties:

(i) Release of personal guarantee provided by Mr. Ma and Ms. Cheng Lihong

During the year ended 31 December 2017, certain of the Group's bank borrowings were secured by personal guarantee from Mr. Ma and Ms. Cheng Lihong. These personal guarantee were released and replaced by the corporate guarantee provided by the Company upon the Listing during the year ended 31 December 2018.

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

During the year ended 31 December 2017, the subsidiary operating in the PRC provided a corporate guarantee of RMB13,800,000 to a related company as set out in Note 30(d). As at 31 December 2017, the corporate guarantee was released.

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

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

	2018 RMB'000	2017 RMB'000
Shenzhen Qianhai Yuta Technology Company Limited* (深圳市前海宇發科技有限公司) (Note)	718	—

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

Compensation paid or payable to key management for employee services is shown below:

	2018 RMB'000	2017 RMB'000
Wages and salaries	2,178	2,373
Pension costs - defined contribution plan	220	219
	2,398	2,592

(c) Year-end balance arising from related party transactions

	2018 RMB'000	2017 RMB'000
Rental deposit paid to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	119	—

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

* *For identification purpose only*

29 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2018 and 2017.

30 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of directors	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
For the year ended 31 December 2018						
Executive directors:						
– Ma Fujun	38	361	350	—	78	827
– Cheng Bin	38	250	206	—	59	553
– Chen Xiaoyuan	38	251	160	—	65	514
Independent non-executive directors:						
– Chan Chung Kik Lewis	38	—	—	—	—	38
– Chow Kit Ting	38	—	—	—	—	38
– Wu Chi-luen	38	—	—	—	—	38
	228	862	716	—	202	2,008

Name of directors	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
For the year ended 31 December 2017						
Directors						
– Ma Fujun	—	360	500	—	73	933
– Cheng Bin	—	250	396	—	61	707
– Chen Xiaoyuan	—	250	206	—	66	522
	—	860	1,102	—	200	2,162

Mr. Ma Fujun, Mr. Cheng Bin and Ms. Chen Xiaoyuan were appointed as executive directors of the Company on 28 February 2018. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 31 December 2018 and 2017 and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Wu Chi-luen, Mr. Chow Kit Ting and Mr. Chan Chung Kik Lewis were appointed as independent non-executive directors of the Company on 25 July 2018.

During the years ended 31 December 2018 and 2017, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries undertaking; and (iii) waived or has agreed to waive any emolument.

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2018 and 2017, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor were any payable.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2018 and 2017, no consideration was provided to third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

			Maximum liability that may be incurred under the guarantee			
Name of the borrower	Nature of connection	Nature of guarantee or security	Individually in aggregate at the beginning of the year RMB'000	Individually in aggregate at the end of the year RMB'000	During the year RMB'000	Amounts/Aggregate amounts paid or liability/aggregate liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security RMB'000
For the year ended 31 December 2018:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	—	—	—	—
For the year ended 31 December 2017:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	—	13,800	—

* *For identification purpose only*

30 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors (Continued)

During the year ended 31 December 2017, the Group provided guarantee by the Group to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) which was controlled by Mr. Ma. Such guarantee was released during the year ended 31 December 2017.

During the year ended 31 December 2018, save as disclosed elsewhere, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

31 ASSETS PLEDGED AS SECURITIES

The carrying amounts of assets pledged as securities for current borrowings are:

	2018 RMB'000	2017 RMB'000
Current		
Floating charge		
Pledged bank deposits	**3,300**	—
Total current assets pledged as securities	**3,300**	—
Non-current		
Floating charge		
Properties, plant and equipment	**—**	4,731
Finance lease		
Equipment	**12,699**	—
Total non-current assets pledged as securities	**12,699**	4,731
Total assets pledged as securities	**15,999**	4,731

32 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company as at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current asset			
Interests in subsidiaries	c	**46,011**	19,949
Total non-current assets		**46,011**	19,949
Current assets			
Amounts due from subsidiaries		**37,729**	3,369
Prepayments, deposits and other receivables		**—**	1,486
Cash and cash equivalents		**40,909**	2,436
Total current assets		**78,638**	7,291
Total assets		**124,649**	27,240
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	b	**2,619**	—
Share premium	b	**110,868**	12,165
Reserves	b	**19,997**	19,505
Accumulated losses	b	**(21,395)**	(5,167)
Total equity		**112,089**	26,503
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**11,681**	175
Other payables and accruals		**879**	562
Total liabilities		**12,560**	737
Total equity and liabilities		**124,649**	27,240

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf.

Ma Fujun
Director

Chen Xiaoyuan
Director

32 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY (CONTINUED)

(b) Equity movement of the Company

	Share capital RMB'000	Share premium RMB'000	Exchange Reserve RMB'000	Capital reserve RMB'000 (Note i)	Accumulated losses RMB'000	Total RMB'000
At 15 March 2017 (Date of incorporation)	—	—	—	—	—	—
Comprehensive losses:						
Loss for the period	—	—	—	—	(5,167)	(5,167)
Other comprehensive losses:						
Currency translation differences	—	—	(187)	—	—	(187)
Total other comprehensive losses	—	—	(187)	—	(5,167)	(5,354)
Transactions with owners						
Issuance of ordinary shares on 18 May 2017 and 8 June 2017 (Note 1.2(g) & (j))	—	12,165	—	—	—	12,165
Capitalisation of loans from shareholders (Note a & Note 1.2(j))	—	—	—	19,692	—	19,692
Total transactions with owners	—	12,165	—	19,692	—	31,857
At 31 December 2017	—	12,165	(187)	19,692	(5,167)	26,503
At 1 January 2018	—	12,165	(187)	19,692	(5,167)	26,503
Comprehensive losses:						
Loss for the year	—	—	—	—	(16,228)	(16,228)
Other comprehensive losses:						
Currency translation differences	—	—	492	—	—	492
Total other comprehensive losses	—	—	492	—	(16,228)	(15,736)
Transactions with owners						
Capitalisation issue (Note 20)	1,964	(1,964)	—	—	—	—
Issuance of shares upon the Listing (Note 20)	655	113,939	—	—	—	114,594
Share issuance costs (Note 20)	—	(13,272)	—	—	—	(13,272)
Total transactions with owners	2,619	98,703	—	—	—	101,322
At 31 December 2018	2,619	110,868	305	19,692	(21,395)	112,089

Note:

(i) During the year ended 31 December 2017, loans from shareholders amounting to HK$22,640,000 (approximately RMB19,692,000) were capitalised in capital reserve.

32 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY (CONTINUED)

(c) Interests in subsidiaries

	2018 RMB'000	2017 RMB'000
Equity investment at cost (Note i)	**—**	—
Amounts due from subsidiaries (Note ii)	**46,011**	19,949
	46,011	19,949

Notes:

(i) The balance represented the Company's 100% interest amounting to 1 USD in Total United Holdings Limited as detailed in Note 1.2.

(ii) As at 31 December 2017, the amounts due from subsidiaries represented the purchase consideration for acquisition of Shenzhen Hengchang Sheng and Eternity Technology Limited, which the Company settled on behalf of Agreeable and Total United respectively.

During the year ended 31 December 2018, increase in the amounts due from subsidiaries represented the capital injection amounting to HK$29,560,000 (approximately RMB26,062,000) from Agreeable to Shenzhen Hengchang Sheng, which was settled by the Company on behalf of Agreeable.

These amounts were unsecured, interest-free, with no fixed repayment terms. Settlement of these amounts were neither planned nor likely to occur the foreseeable future. As a result, these amounts were considered part of the Company's net investment in Agreeable and Total United.

Financial Summary

The following is a summary of the consolidated results, assets and liabilities of the Group for the last four financial years, as extracted from the Prospectus and published audit financial statements of the Group. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December			
	2018 RMB' 000	2017 RMB' 000	2016 RMB' 000	2015 RMB' 000
REVENUE	**546,693**	370,162	267,890	182,925
GROSS PROFIT	**65,807**	60,338	47,530	34,591
PROFIT BEFORE INCOME TAX	**25,328**	33,750	26,693	18,594
INCOME TAX EXPENSE	**(4,734)**	(5,239)	(4,612)	(4,602)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**20,594**	28,511	22,081	13,992

ASSETS AND LIABILITIES

	As at 31 December			
	2018 RMB' 000	2017 RMB' 000	2016 RMB' 000	2015 RMB' 000
NON-CURRENT ASSETS	**53,822**	16,817	14,551	18,415
CURRENT ASSETS	**322,812**	166,098	153,058	122,324
TOTAL ASSETS	**376,634**	182,915	167,609	140,739
CURRENT LIABILITIES	**167,343**	96,556	122,338	117,539
NON-CURRENT LIABILITIES	**—**	—	—	—
TOTAL LIABILITIES	**167,343**	96,556	122,338	117,539