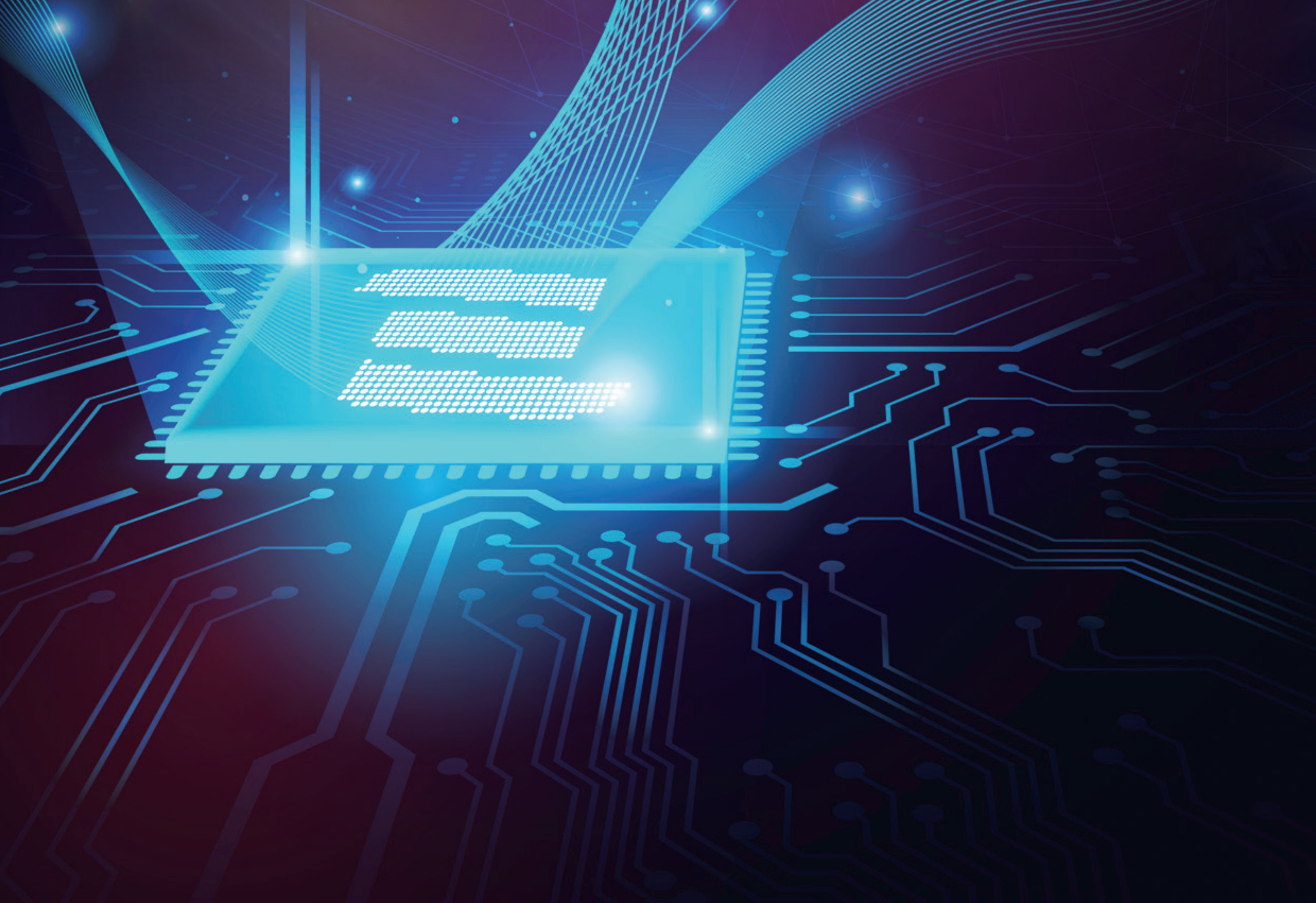
ETERNITY TECHNOLOGY HOLDINGS LIMITED
恒達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1725

2019 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. Wu Chi-luen
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Ma Fujun
Ms. Jian Xuegen

COMPANY SECRETARY

Ms. Jian Xuegen

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716
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183 Queen's Road East
Wan Chai
Hong Kong

Stock Name

Eternity Tech

COMPLIANCE ADVISERS

Dakin Capital Limited

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Tower 1, Lippo Centre
89 Queensway
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 would like to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2019 (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.

BUSINESS REVIEW

The year 2019 was full of challenges for China's and the world's economic. During the Reporting Period, trade friction between the United States of America and China has slowed down the economic growth of both China and the world. The continuous growth in the EMS industry has also slowed down. During the Reporting Period, a turnover of approximately RMB546.3 million was recorded by the Group, representing a slightly decrease of approximately 0.1% as compared with that in the corresponding period in 2018. The slightly decrease in revenue was attributed by: (i) the revenue derived from PCBAs increased by approximately 42.9%, particularly revenue from banking and finance PCBAs as a result of the popularity of the banking and finance device and smart device; (ii) while the revenue derived from fully-assembled electronic products decreased by approximately 14.3%, particularly revenue from tablets as a result of the decreased orders of tablets triggered by the decreasing demand of the tablets market.

Business Strategies

In 2020, the noval coronavirus (COVID-19) outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to lower the impact from this outbreak. And the Group will strive to sustain long-term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities by implementing the following business strategies:

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

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
13 March 2020

OPERATING RESULTS

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:

	2019 RMB'000	2018 RMB'000
The PRC	**452,170**	422,327
Mexico	**12,783**	97,108
Brazil	**23,316**	3,300
South Korea	**15,513**	10,649
India	**14,313**	—
Hong Kong	**11,648**	—
Others (Note)	**16,582**	13,309
	546,325	546,693

Note: Others include Taiwan, the United States of America, United Kingdom 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 2018 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change %	2019	2018	Change
PCBAs	**194,456**	136,041	42.9	**35.6**	24.9	10.7
Fully-assembled electronic products	**351,869**	410,652	(14.3)	**64.4**	75.1	(10.7)
Total	**546,325**	546,693	(0.1)	**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 42.9% from approximately RMB136.0 million for the year ended 31 December 2018 to approximately RMB194.5 million for the Reporting Period, primarily due to the increase in demand on the PCBAs for banking and finance and that the Group successfully introduced one major customer for the products of PCBAs for smart device during the Reporting Period.

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 decreased by approximately 14.3% from approximately RMB410.7 million for the year ended 31 December 2018 to approximately RMB351.9 million for the Reporting Period, primarily due to a decrease in purchase orders of the tablets triggered by the decreasing demand of tablets market.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB60.5 million, representing a decrease of approximately RMB5.3 million or 8.1% as compared with approximately RMB65.8 million for the year ended 31 December 2018. Overall gross profit margin decreased from 12.0% for the year ended 31 December 2018 to 11.1% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change (%)	**2019 %**	2018 %	Change (%)
PCBAs	**32,746**	23,234	40.9	**16.8**	17.1	(0.3)
Fully-assembled electronic products	**27,733**	42,573	(34.9)	**7.9**	10.4	(2.5)
Total	**60,479**	65,807	(8.1)	**11.1**	12.0	(0.9)

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 40.9% to approximately RMB32.7 million for the Reporting Period (2018: approximately RMB23.2 million). The gross profit margin slightly decreased to approximately 16.8% for the Reporting Period (2018: approximately 17.1%), which primarily resulted from the net effect of (i) the increase in sales orders of banking and finance device and smart device; and (ii) the increase in the labor cost and increase in depreciation expenses as a result of addition of machinery at the end of 2018.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 34.9% to approximately RMB27.7 million for the Reporting Period (2018: approximately RMB42.6 million). The gross profit margin decreased to approximately 7.9% for the Reporting Period (2018: approximately 10.4%), which was mainly due to (i) the decrease in the gross profit margin of mPOS as we offered a more competitive price to our customers than that of 2018 due to fierce competition; and (ii) the increase in the labor cost and increase in depreciation expense as a result of addition of machinery at the end of 2018.

Other Income

Other income of the Group, comprises discretionary government grants received by the Group, increased by approximately 24% from approximately RMB3.1 million for the year ended 31 December 2018 to approximately RMB3.8 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; (iv) credit insurance fees and (v) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB15.0 million (2018: approximately RMB13.3 million), representing an increase of approximately 13.4% as compared to the year ended 31 December 2018. Selling and distribution expense against revenue ratio had a slightly increase from approximately 2.4% for the year ended 31 December 2018 to 2.8% for the Reporting Period which was due to the increased credit insurance fees to control the credit risk by the Group.

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; (ii) listing expenses and professional fees; and (iii) other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB18.6 million (2018: approximately RMB30.4 million), representing an decrease of approximately 38.8% as compared to the year ended 31 December 2018. The decrease was mainly due to the one-off listing expenses and professional fees of approximately RMB14.6 million incurred for the year ended 31 December 2018 for the listing of the Company on the Main Board of the Stock Exchange in August 2018.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly represented the provision of impairment of trade receivables. For the Reporting Period, impairment of approximately RMB0.6 million (2018: Nil) were made against the trade receivables which were difficult to be recovered as these customers were in financial difficulties.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank borrowings, finance lease liability and lease liabilities while our finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, the net finance costs of the Group were approximately RMB1.1 million (2018: approximately RMB0.6 million) representing an increase of approximately 90.4% as compared to the year ended 31 December 2018. The increased net finance cost was in line with the increased bank borrowings from approximately RMB2.2 million as at 31 December 2018 to approximately RMB16.4 million as at 31 December 2019.

Income Tax Expense

Income tax expense amounted to approximately RMB3.7 million for the Reporting Period (2018: approximately RMB4.7 million), representing a decrease of approximately 21.2% as compared to the year ended 31 December 2018. 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%. The decrease in income tax expense was mainly attributed to the decease in the profit of our major operating subsidiary, Shenzhen Hengchang Sheng.

Profit Attributable to Equity Holders of the Company

As a result of the facts discussed above, profit attributable to equity holders of the Company increased by approximately 23.6% from approximately RMB20.6 million for the year ended 31 December 2018 to approximately RMB25.5 million for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB153.2 million as at 31 December 2019 (2018: approximately RMB155.5 million). The current ratio of the Group decreased from approximately 1.9 as at 31 December 2018 to approximately 1.7 as at 31December 2019.

* For identification purpose only

Borrowings, the Pledge of Assets and Restricted Cash

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks. The interest-bearing liabilities of the Group amounted to approximately RMB16.4 million as at 31 December 2019 (2018: approximately RMB13.2 million). As at 31 December 2018 and 2019, interest-bearing liabilities were secured by properties, plant and equipment, a pledged bank deposit and a corporate guarantee by the Company. Also, a deposit of approximately RMB2.7 million was held in a designated bank account to guarantee the construction and investment in relation to the plant in Huizhou. The cash and cash equivalents, pledged bank deposits, short-term bank deposits and restricted cash and bank borrowings were mainly denominated in Renminbi ("**RMB**"), Hong Kong Dollars ("**HK$**") and United States Dollars ("**USD**").

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 7.0% and 6.3% as at 31 December 2019 and 31 December 2018, respectively. During the Reporting Period, we have increased our interest-bearing liabilities by approximately RMB3.2 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.

Capital Structure

As at 31 December 2019, the Company's issued share capital was HK$3,000,000 and the number of issued shares of the Company was 300,000,000 ordinary shares of HK$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK$ and 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 RMB32.0 million (2018: RMB40.9 million). The capital expenditure was mainly related to the additions of a piece of land use right, 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 2019 (2018: 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 2019, the Group had 490 employees with a total remuneration of approximately RMB48.9 million during the Reporting Period (2018: approximately RMB34.0 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

ACQUISITION OF LAND USE RIGHT IN HUIZHOU CITY

During the Reporting Period, Huizhou City Eternity Technology Company Limited (the "Huizhou Eternity"), an indirect wholly owned subsidiary of the Company, entered into a stated-owned land use rights grant contract with Huizhou City Huicheng District Natural Resources Bureau to acquire the land use rights of a piece of land located at Huizhou, the PRC at a consideration of RMB26,830,000. The Group intends to construct its own production plant instead of renting one considering the increasing production demand and increasing rent rate in recent years in Shenzhen.

MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS

Saved as aforesaid in this report, the Group did not have any material acquisitions, disposals of subsidiaries, associates and joint ventures and significant investments during the Reporting Period.

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. From the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 December 2019, 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	42.8	21.9
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	0.6	16.8
Further strengthen our research and development capabilities	4.5	3.4	1.1
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.4	3.0
General working capital	6.7	4.8	1.9
	96.7	52.0	44.7

Please refer to the Prospectus for the original intended timeframe for utilisation of the net proceeds. Since the trade friction between the United States of America and China became more and more intense and have brought many uncertainties to the China and the world's economic during the Reporting Period, the Group were acting with more caution. The plan of the expanding our production capacity and enhancing our production efficiency and the plan of leasing new premises to align with our production capacity expansion were slowing down. The balance of the unutilised proceeds is expected to be utilised in the coming two years.

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 2019, the Group's capital commitment amounted to approximately RMB0.9 million (2018: RMB1.4 million). The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 (2018: Nil).

EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus (COVID-19) (the "**Novel Coronavirus Outbreak**"), a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Novel Coronavirus Outbreak, including imposing restriction on resumption date of production after the Chinese New Year Holiday.

The operation of the Group's production plant in Shenzhen (the "**Shenzhen Production Plant**") has been suspended after the statutory holidays for Chinese New Year as part of the Chinese government's countermeasures in containing the Novel Coronavirus Outbreak.

After inspection being done at the Shenzhen Production Plant by the relevant government authority, the Group received an official notice on 14 February 2020 approving the resumption of limited production of the Shenzhen Production Plant. As such, the Shenzhen Production Plant resumed its operation and production started on 15 February 2020.

However, due to the suspension or limited service of transportation facilities in certain area, certain workers in the affected provinces and municipalities who are unable to return to production units in Shenzhen as planned, which has resulted in temporarily drop in production of the Shenzhen Production Plant. The Novel Coronavirus Outbreak also adversely affected the supply chain logistics and the Group experienced delay in the supply of raw materials from its suppliers. It is expected that the Shenzhen Production Plant will experience delay in resuming to original production schedule and there will be late delivery of products in the first half year of 2020.

Furthermore, over the last few years, one of the largest customers of the Group, a company listed on the growth enterprise board landed by the Shenzhen Stock Exchange, is located in Wuhan, Hubei Province, the PRC. The Group is in the process of communicating with the said customer and other customers to arrange the production schedule and adjust delivery time of the sales orders placed.

Under such special circumstances, the Group is currently working closely with its suppliers to speed up the delivery of raw materials and liaising with the customers to adjust delivery schedule to minimize any negative economic impact on both sides.

The suspension and the temporarily lower than original production level are likely to have a negative impact on the Group's future financial results. The Group will continue to assess the impact of Novel Coronavirus Outbreak on the financial performance and closely monitor the development of the Novel Coronavirus Outbreak and the exposure to the risks and uncertainties in this connection. The Company will take appropriate measures as necessary.

EXECUTIVE DIRECTORS

Mr. Ma Fujun (馬富軍), aged 46, 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 17 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 46, 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 42, 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 47, 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 22 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 43, 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 35, 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 has been the financial controller of a private company, HY Technology Holding Limited, from August 2018 to December 2019 and re-designed to its subsidiary, Aua Yu(s) Pte. Ltd. since January 2020. He has extensive experience in accounting, corporate finance, compliance and company secretarial works.

COMPANY SECRETARY

Ms. Jian Xuegen (簡雪艮), aged 34, was appointed as the company secretary of our Company on 1 January 2020 and also is the financial controller of our Company since 5 December 2016 when she joined our Group.

Ms. jian is a consultant of Wisdom Professional Limited, a professional services provider specialising in corporate and investor services, and is responsible for providing professional corporate secretarial services to companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Jian Xue Gen (簡雪艮), aged 34, is the company secretary of our Company since 1 January 2020 and 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 and secretarial affairs 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. She is also been a member of the Hong Kong Institute of Certified Public Accountants since January 2019. Prior to joining our Company, from November 2008 to December 2016, Ms. Jian worked at the Guangzhou branch of Ernst & Young LLP, and her last position was an audit manager. Since February 2019, Ms. Jian is also the company secretary of Confidence Intelligence Holdings Limited (a company listed on the Main Board of the Stock Exchange with Stock Code: 1967) and Sprocomm Intelligence Limited (a company listed on the Main Board of the Stock Exchange with Stock Code: 1401). Since January 2020, Ms. Jian is also the director of Shenzhen Shan source Electric Co., Ltd.,* (深圳山源電器股份有限公司) which principally involved in manufacture and sales of electronic radiators, PTC heaters, and electronic metal hardware.

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all shareholders.

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 during the year.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in code provision D.3.1 of the CG Code. During the Reporting Period, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

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 during the year.

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 11 to 12 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 2019. 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 46 to 50. 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. In addition, the Board has also delegated various responsibilities to the Board committees. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with information and explanations that are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board.

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. Cheng Bin 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 during the Reporting Period:

Name of Directors	Attendance/Number of Meetings Held				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Executive Directors					
Mr. Ma Fujun	6*	—	1*	—	1*
Ms. Chen Xiaoyuan	6	—	—	—	1
Mr. Cheng Bin	5	—	—	—	1
Independent Non-Executive Directors					
Mr. Chan Chung Kik Lewis	6	2	1	1	1
Mr. Wu Chi-luen	6	2*	1	1*	1
Mr. Chow Kit Ting	6	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 2019, the Audit Committee has held two meetings for discussion on the audit and financial reporting related matters. At the meetings, the Audit Committee had reviewed the final results for the year ended 31 December 2018, the interim results for the six months ended 30 June 2019 and the Group's internal controls for the year ended 31 December 2018. 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.

The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is completed and accurate, and has complied with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

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 2019, the Remuneration Committee has held one meeting. Full minutes of the Remuneration Committee meetings are kept by the company secretary. At the meeting, the Remuneration Committee had reviewed and made recommendation to the Board on the remuneration policies of the Directors and the senior management as well as the remuneration packages for the years ended 2018 and 2019 and the performance of the Directors. 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 2019, the Nomination Committee has held one meeting. At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessing the independence of independence non-executive Directors, reviewed the Board Diversity Policy made recommendation to the Board on retirement and re-election of directors and other matters of the Company. 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has paid and accrued the amounts of approximately RMB857,000, RMB609,000, RMB570,000, RMB106,000, RMB106,000 and RMB106,000 to Mr. Ma Fujun, Mr. Cheng Bin, Ms. Chen Xiaoyuan, Mr. Chan Chung Kik Lewis, Mr. Chow Kit Ting and Mr. Wu Chi-luen, respectively, as Directors' remuneration, for the year ended 31 December 2019.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2019, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group for the year ended 31 December 2019 falls within the following bands:

Name of Directors	2019	2018
Nil to RMB1,000,000	1	1

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 2019, the Company had arranged to provide trainings to all the Directors.

For the year ended 31 December 2019, the Directors participated in the following continuous professional development:

Name of Directors	Training on corporate governance, director's duties, environment, social and governance, and/or regulatory update
Executive Directors	
Mr. Ma Fujun	V
Ms. Chen Xiaoyuan	V
Mr. Cheng Bin	V
Independent Non-Executive Directors	
Mr. Wu Chi-luen	V
Mr. Chan Chung Kik Lewis	V
Mr. Chow Kit Ting	V

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers, as its external auditor for the year ended 31 December 2019. 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 2019, the remuneration for the audit service provided the Company's external auditor, PricewaterhouseCoopers was approximately RMB1.5 million. During the year ended 31 December 2019, 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.

The Company has engaged an independent internal control adviser to carry out a 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. Jian Xuegen (簡雪艮), aged 34, was appointed as the company secretary of our Company on 1 January 2020 and also is the financial controller of our Company since 5 December 2016 when she joined our Group. In the opinion of the Board, Ms. Jian possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. During the year ended 31 December 2019, Ms. Jian confirmed that she has taken no less than 15 hours of relevant professional training. The Company will provide fund for Ms. Jian 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 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

Eternity Technology Holdings Limited and its subsidiaries (collectively the "**Group**") presents its Environmental, Social and Governance ("**ESG**") report, which highlights its ESG performance from 1 January 2019 to 31 December 2019.

This ESG report was prepared with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") 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 its customers in respect of its 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.

ESG RESPONSIBILITIES

The board of directors (the "**Board**") holds the overall responsibility for the Group's ESG strategy and reporting by overseeing the overall governance and progress of the Group's ESG management system, policies, commitments, strategies and objectives.

Management of the Group is responsible for the collection and analysis of ESG data, implementation of appropriate measures to improve the Group's ESG performance, assessment of whether current ESG policies and improvement measures are effective, compliance with relevant ESG laws and regulations and the reporting of major issues to the Board.

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 reviewed the contents of this ESG report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group maintains regular communications with its stakeholders from time to 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, 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 following table summarises the main expectations and concerns of the key stakeholders identified by the Group, and the corresponding management responses.

Stakeholders	Expectations	Management responses/ Communication channels
Governments and regulatory bodies	• Compliance with laws and regulations • Tax payment in accordance with laws	• Compliance operation • Tax payment in full and on time
Shareholders	• Financial results • Corporate transparency • Sound risk control	• To improve profitability • Regular information disclosure • To optimise risk management and internal control
Employees	• Career development platform • Salary and benefits • Safe working environment	• Promotion mechanism • Competitive salary and employee benefits • To provide trainings for employees and strengthen their safety awareness
Customers	• Logistics and delivery service standards • Customer information security • Customer rights and interests protection	• To get delivery status through product tracking system • Customer privacy protection • Compliance marketing
Suppliers	• Integrity cooperation • Business ethics and credibility	• To build a responsible supply chain • To perform the contract according to law
Society and the public	• Environmental protection • Employment opportunities	• To reduce environmental pollutions • To provide equal employment opportunities

MATERIALITY ASSESSMENT

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the Group's business operations, the Group identified the following environmental, social and operating issues that are material and relevant to the Group's business operations during the year ended 31 December 2019. If the Group does not implement effective strategies to monitor and solve these issues, these issues may affect the Group's financial condition or operating performance. Further, the Group made a materiality assessment on these environmental, social and operating issues by conducting interviews with its stakeholders.

Environmental issues	Social issues	Operating issues
1. Greenhouse gas emissions 2. Energy consumption 3. Water consumption 4. Waste	8. Local community engagement 9. Community investment 10. Occupational health and safety 11. Labour standards in supply chain	15. Economic value generated 16. Corporate governance 17. Anti-corruption 18. Supply chain management
5. Saving energy measures 6. Use of raw materials and packaging materials	12. Training and development 13. Employee welfare	19. Customer satisfaction 20. Customer privacy
7. Compliance with laws and regulations relating to environmental protection	14. Inclusion and equal opportunities	

The Group prioritised the above-mentioned environmental, social and operating issues in terms of their importance to the Group's stakeholders and business operations.

Importance to the Group's stakeholders and business operations	ESG issues
High	**1, 2, 3, 5, 6, 7, 14, 15, 16, 17, 18, 19, 20**
Medium	**10, 11, 12, 13**
Low	**4, 8, 9**

Based on the results of the Group's materiality assessment, the Group would formulate and implement appropriate strategies to monitor and solve the identified issues and to achieve sustainable business development.

A. ENVIRONMENT

The Group acknowledges its responsibility to protect the environment and it has implemented policies 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 year ended 31 December 2019, 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 year ended 31 December 2019 included consumption of petrol, electricity, paper and water in its business operations and business trips.

(i) Air pollutant emissions

During the year ended 31 December 2019, air pollutant emissions mainly arose from petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 426.5kg (2018: 389.2kg) of nitrogen oxides (NOx), 0.5kg (2018: 0.8kg) of sulphur oxides (SOx) and 32.8kg (2018: 34.1kg) of respiratory suspended particles (PM).

(ii) **Greenhouse gas emissions**

Scope of greenhouse gas emissions	For the year ended 31 December			
	2019		2018	
	Emission (in tCO2e)	Percentage to total emission	Emission (in tCO2e)	Percentage to total emission
Scope 1 Direct emission				
Combustion of petrol for mobile vehicles	**86.24**	**1.6%**	126.00	2.4%
Scope 2 Indirect emission				
Purchased electricity	**5,142.00**	**97.5%**	4,993.00	96.9%
Scope 3 Other indirect emission				
Paper waste disposal	**0.02**	**0.9%**	0.03	0.7%
Water consumption	**36.15**		28.20	
Business air travel	**10.07**		7.30	
Total	**5,274.48**	**100%**	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 year ended 31 December 2019, the Group's activities contributed to 5,274.48 tonnes (0.39 tCO2/m2) (2018: 5,154.53 tonnes (0.30 tCO2/m2)) of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission. Details of the Group's measures to reduce the consumption of resources and the related emissions are set out below. As a result of these measures, the employees' awareness of reducing the consumption of resources and the related emissions has been increased.

Petrol consumption

During the year ended 31 December 2019, the Group's motor vehicles travelled approximately 267,824 km, which consumed 34,485 litres of petrol (69.9 litres of petrol per employee) and contributed to 86.24 tonnes (2018: 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 year ended 31 December 2019, the Group consumed 6,145,544 kWh of electricity (12,466 kWh per employee) in connection with its daily business operations, which contributed to 5,142.00 tonnes (2018: 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 year ended 31 December 2019, the Group consumed four tonnes of paper (0.008 tonnes per employee) in connection with its daily business operations, which contributed to 0.02 tonnes (2018: 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 year ended 31 December 2019, the Group consumed 40.4 tonnes of water (0.08 tonnes per employee) in connection with its daily business operations, which contributed to 36.15 tonnes (2018: 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. As a result, the employees has increased their awareness to reduce water consumption. During the year ended 31 December 2019, the Group did not encounter any problems in sourcing water that is fit for purpose. Further, the Group did not consume a significant amount of water that was and disproportional to the scale of its business operations.

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 year ended 31 December 2019, business air travels of the Group's employees had contributed a total of 10.07 tonnes (2018: 7.30 tonnes) of carbon dioxide equivalent emission.

(iii) Hazardous waste

During the year ended 31 December 2019, 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 year ended 31 December 2019, 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. The Group regularly reminds its employees to use resources efficiently and try to avoid the generation of waste. As a result, the employees' awareness of waste management has been increased.

Use of resources

To minimise adverse impact on the environment and natural resources arising from its business operations, 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.

During the year ended 31 December 2019, the Group's business activities did not cause significant adverse impact on the environment and natural resources. The Group's total consumption of resources during the year ended 31 December 2019 together with the relevant conservation measures adopted by the Group are detailed in the section headed "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

As a result, the Group's employees are more aware of the importance of using resources efficiently.

B. SOCIAL

Employment and labour practices

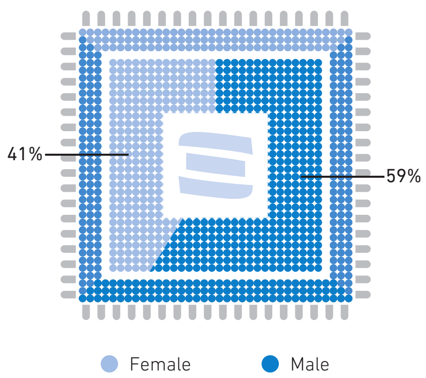
(i) Employment

Total employees and turnover

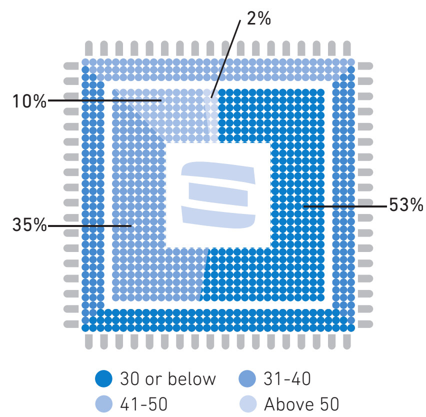
As at 31 December 2019, the Group had a total number of 490 full-time employees in the PRC. During the year ended 31 December 2019, the Group had a low staff turnover rate.

Set forth below are the distribution of the Group's employees as at 31 December 2019 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 year ended 31 December 2019, 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 year ended 31 December 2019, 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 year ended 31 December 2019, 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 Group's 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 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 year ended 31 December 2019.

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 with 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 year ended 31 December 2019, 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 year ended 31 December 2019:	
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.

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 year ended 31 December 2019, 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 year ended 31 December 2019.

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, the Group normally allows the return and replacement of products mainly due to quality reasons. During the year ended 31 December 2019, 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 year ended 31 December 2019, 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 the Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification.

During the year ended 31 December 2019, 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.

Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the year ended 31 December 2019, the Group focused on environmental protection as well as cultural and sport promotion. The Group encouraged its employees to participate charitable events. Going forward, the Group will continue to focus on community needs and increase its investment in community.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	A. ENVIRONMENT
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions
KPI A1.2 ("comply or explain")	Greenhouse gas emissions in total (in tonnes) and intensity.	Emissions - (ii) Greenhouse gas emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions - (iii) Hazardous waste (Not applicable – Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions - (iv) Non-hazardous waste (Not applicable – Explained)
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions - (iii) Hazardous waste Emissions - (iv) Non-hazardous waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Emissions
KPI A2.2 ("comply or explain")	Water consumption in total and intensity	Emissions - (ii) Greenhouse gas emissions - Water consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Emissions
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Emissions - (ii) Greenhouse gas emissions - Water consumption

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Emissions - (iv) Non-hazardous waste (Not applicable - Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Use of resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of resources
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and labour practices
KPI B1.1 (Recommended Disclosure)	Total workforce by gender, age group and geographical region.	Employment and labour practices - (i) Employment – Total employees and turnover
KPI B1.2 (Recommended Disclosure)	Employee turnover rate by gender, age group and geographical region.	Employment and labour practices - (i) Employment – Total employees and turnover
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and labour practices - (iii) Employee health and safety

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI B2.1 (Recommended Disclosure)	Number and rate of work-related fatalities.	Employment and labour practices - (iii) Employee health and safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and labour practices - (iv) Development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and labour practices - (i) Employment
KPI B4.1 (Recommended Disclosure)	Description of measures to review employment practices to avoid child and forced labour.	Employment and labour practices - (i) Employment
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating practices - (i) Supply chain management
KPI B5.1 (Recommended Disclosure)	Geographical locations of major suppliers	Operating practices - (i) Supply chain management
KPI B5.2 (Recommended Disclosure)	Description of practices relating to engaging suppliers	Operating practices - (i) Supply chain management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating practices - (ii) Product responsibility
KPI B6.1 (Recommended Disclosure)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating practices - (ii) Product responsibility
KPI B6.2 (Recommended Disclosure)	Number of products and service related complaints received and how they are dealt with.	Operating practices - (ii) Product responsibility

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI B6.3 (Recommended Disclosure)	Description of practices relating to observing and protecting intellectual property rights.	Operating practices - (ii) Product responsibility
KPI B6.4 (Recommended Disclosure)	Description of quality assurance process and recall procedures.	Operating practices - (ii) Product responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating practices - (iii) Anti-corruption
KPI B7.1 (Recommended Disclosure)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating practices - (iii) Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment
KPI B8.1 (Recommended Disclosure)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment

REPORT OF DIRECTORS

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 2019.

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 27 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 2019 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 51 to 54.

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: nil).

SUBSIDIARIES

Details of our subsidiaries as at 31 December 2019 are set out in note 27 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 21 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 15 May 2020 (Friday), the register of members of the Company will be closed from 12 May 2020 (Tuesday) to 15 May 2020 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 11 May 2020 (Monday). 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 and transfer office 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 Monday, 11 May 2020.

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

During the Reporting Period, 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 did not have any donation during the Reporting Period (2018: RMB25,000.00).

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 49.5% and 73.9% (2018: approximately 49.1% and approximately 81.7%) 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 10.3% and 31.2% (2018: 10.9% and 32.5%) 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. Wu Chi-luen
Mr. Chan Chung Kik Lewis
Mr. Chow Kit Ting

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. Cheng Bin, 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 11 to 12 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 2019, 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 during the year 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 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

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

Eligible participants of the Scheme may include any employee (full-time or part-time), executives, officers, or directors (including non-executive directors and independent non-executive directors) of the Group, and any advisors, consultants, suppliers, customers, distributers and such other persons who in the sole opinion of the Board, will contribute or have contributed to the Group (together, the "Eligible Participants" or each "Eligible Participant")

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

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

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

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

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

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the remaining life of the Share Option Scheme is approximately 9 years.

No share option has been granted exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2019 and up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 31 to the consolidated financial statements. For the year ended 31 December 2019, none of these related party transactions are connected transaction which are subject to the disclosure requirements of Chapter 14A of the Listing Rules in respect of such transactions.

CONNECTED TRANSACTIONS

The connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules entered by the Group in the year of 2018 with a term of three years were exempted from disclosure requirements under the Listing Rules. Details were disclosed in Note 31 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 strive to system long term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities. 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 CG 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 2019.

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 15 May 2020 (Friday) 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 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 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 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 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

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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 23 to 35 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 51 to 115, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 2.22 and 5 to the consolidated financial statements. During the year ended 31 December 2019, revenue of approximately RMB546,325,000 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 the provision of manufacturing services during the year;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• 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 • 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, 13 March 2020

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	5	**546,325**	546,693
Cost of sales	6	**(485,846)**	(480,886)
Gross profit		**60,479**	65,807
Other income	7	**3,797**	3,062
Other gains, net	8	**166**	620
Selling and distribution expenses	6	**(15,024)**	(13,250)
Administrative expenses	6	**(18,568)**	(30,350)
Net impairment losses on financial assets	6	**(595)**	—
Operating profit		**30,255**	25,889
Finance income		**374**	129
Finance costs		**(1,442)**	(690)
Finance costs, net	10	**(1,068)**	(561)
Profit before income tax		**29,187**	25,328
Income tax expense	11	**(3,730)**	(4,734)
Profit for the year attributable to equity holders of the Company		**25,457**	20,594
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	**RMB8.49 cents**	RMB8.13 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 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**25,457**	20,594
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss		
Currency translation differences	**1,639**	1,016
Total comprehensive income for the year attributable to equity holders of the Company	**27,096**	21,610

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	13	**78,571**	51,247
Intangible assets	14	**1,735**	1,618
Prepayments and deposits	16	**1,329**	456
Restricted cash	18	**2,683**	—
Deferred income tax assets	22	**591**	501
		84,909	53,822
Current assets			
Inventories	17	**52,527**	48,714
Contract assets	19	**7,559**	10,699
Trade and bills receivables	19	**153,801**	111,955
Prepayments, deposits and other receivables	16	**21,031**	10,466
Restricted cash	18	**182**	—
Pledged bank deposits	18	**7,500**	3,300
Short-term bank deposits	18	**9,184**	—
Cash and cash equivalents	18	**107,856**	137,678
		359,640	322,812
Total assets		**444,549**	376,634
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	**2,619**	2,619
Share premium	21	**110,868**	110,868
Retained earnings		**96,010**	73,656
Reserves		**26,684**	22,148
Total equity		**236,181**	209,291

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants	20	**1,285**	—
Lease liabilities	13(b)	**593**	—
		1,878	—
Current liabilities			
Trade and bills payables	23	**127,501**	107,624
Other payables and accruals	24	**30,892**	22,070
Finance lease liability	25	**—**	10,966
Lease liabilities	13(b)	**10,051**	—
Contract liabilities	24	**15,679**	18,614
Bank borrowings	25	**16,422**	2,200
Current income tax liabilities		**5,945**	5,869
		206,490	167,343
Total liabilities		**208,368**	167,343
Total equity and liabilities		**444,549**	376,634

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

The consolidated financial statements on page 51 to 115 were approved by the Board of Director on 13 March 2020 and were signed on its behalf.

Ma Fujun
Director

Chen Xiaoyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2019

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019, as previously reported	2,619	110,868	8,858	12,662	628	73,656	209,291
Impact on initial adoption of HKFRS 16 (Note 2.2)	—	—	—	—	—	(206)	(206)
Balance at 1 January 2019, as restated	2,619	110,868	8,858	12,662	628	73,450	209,085
Comprehensive income							
Profit for the year	—	—	—	—	—	25,457	25,457
Other comprehensive income							
Currency translation differences	—	—	—	—	1,639	—	1,639
Total comprehensive income	—	—	—	—	1,639	25,457	27,096
Transaction with owners							
Appropriation (Note (a))	—	—	2,897	—	—	(2,897)	—
Total transaction with owners	—	—	2,897	—	—	(2,897)	—
Balance at 31 December 2019	2,619	110,868	11,755	12,662	2,267	96,010	236,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2019

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018	—	12,165	6,316	12,662	(388)	55,604	86,359
Comprehensive income							
Profit for the 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 21)	655	113,939	—	—	—	—	114,594
Capitalisation issue (Note 21)	1,964	(1,964)	—	—	—	—	—
Share issuance costs (Note 21)	—	(13,272)	—	—	—	—	(13,272)
Appropriation (Note (a))	—	—	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

Notes:

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

The above 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 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	26(a)	**13,218**	18,728
Income tax paid		**(3,767)**	(3,206)
Interest received		**374**	129
Net cash generated from operating activities		**9,825**	15,651
Cash flows from investing activities			
Purchase of properties, plant and equipment		**(4,706)**	(39,811)
Purchase of land-use rights		**(27,648)**	—
Proceeds from disposal of properties, plant and equipment	26(b)	**329**	1,147
Purchase of intangible assets		**(652)**	(599)
Placement of short-term bank deposits		**(9,129)**	—
Receipt of government grants		**1,827**	—
Net cash used in investing activities		**(39,979)**	(39,263)
Cash flows from financing activities			
Proceeds from bank borrowings	26(c)	**28,026**	12,866
Proceeds from sales and finance leaseback arrangement	26(c)	**—**	12,699
Payment of sales and finance leaseback arrangement cost	26(c)	**—**	(914)
Gross proceeds from issuance of ordinary shares upon listing		**—**	114,594
Repayment of bank borrowings	26(c)	**(13,901)**	(15,666)
Payment of bank charges and interests on bank borrowings		**(812)**	(614)
Payment of interest element of lease liabilities	26(c)	**(630)**	—
Payment of interest element of finance lease liability	26(c)	**—**	(76)
Change in restricted cash		**(2,865)**	—
Change in pledged bank deposits		**(4,200)**	(3,300)
Change in short-term bank deposits		**(55)**	—
Payment of listing expenses		**—**	(11,829)
Payment of capital element of finance lease liability	26(c)	**—**	(606)
Payment of principal element of lease liabilities	26(c)	**(6,369)**	—
Net cash (used in)/generated from financing activities		**(806)**	107,154
Net (decrease)/increase in cash and cash equivalents		**(30,960)**	83,542
Cash and cash equivalents at beginning of the year		**137,678**	53,134
Currency translation differences		**1,138**	1,002
Cash and cash equivalents at end of the year	18	**107,856**	137,678

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

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 13 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Eternity Technology Holdings Limited and its subsidiaries.

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 on a historical cost basis.

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 and interpretation adopted by the Group

The Group has adopted the following new and amended standards and interpretation for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 "Leases"
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015-2017 cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. Most of the other 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.

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

The following new and amended standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new and amended standards are not expected to have material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.25 below.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

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

(i) Practical expedients applied

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

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

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

(ii) Measurement of lease liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

(iii) Measurement of right-of-use assets

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

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 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 upon listing, 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 are 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)

2.3 Subsidiaries (Continued)

2.3.1 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.

2.3.2 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.

2.4 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.

2.5 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$").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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.

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

2.7 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.

Membership right

Membership right represent the initial payment to club for right to use its services or facilities with specific useful lives. Membership right is carried at cost less impairment for indefinite life assets and cost less amortisation over its specific useful live of 15 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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.

2.9 Financial assets

2.9.1 Classification

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.

2.9.2 Recognition and measurement

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

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 gains, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 Impairment of financial assets

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 life-time 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.

2.12 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, bills and other 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.

2.13 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.

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 Trade, bills and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills 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, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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.

2.18 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.

2.19 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)

2.20 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.

2.21 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)

2.21 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.

2.22 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)

2.22 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.

2.23 Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

2.25 Lease

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 25). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 28(b)). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Lease (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The useful life used for the assets' depreciation purpose are:

Properties	Over the lease term
Plant and machinery	10 years
Land	Over the lease term

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

2.26 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 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.

2.28 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 2019 and 2018, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2019 and 2018, 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.

	2019 RMB'000	2018 RMB'000
Pre-tax profit (decrease)/increase		
– Strengthened 1%	**(156)**	(149)
– Weakened 1%	**156**	149

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(ii) Interest rate risk

The Group's interest rate risk is mainly attributable to its restricted cash, pledged bank deposits, short-term bank deposits, cash at banks and bank borrowings with floating interest rates. Details of the Group's restricted cash, pledged bank deposits, short-term bank deposits, cash and cash equivalents, and borrowings have been disclosed in Notes 18 and 25 to the consolidated financial statements respectively.

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

As at 31 December 2019, if interest rates on restricted cash, pledged bank deposits, short-term 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 RMB1,109,000 (2018: RMB1,387,000) higher/lower, mainly as a result of higher/lower of interest income on the restricted cash, pledged bank deposits, short-term 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 restricted cash, pledged bank deposits, short-term 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 restricted cash, pledged bank deposits, short-term 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 2019, 78% (2018: 82%) of the Group's revenue was derived from its top five customers. As at 31 December 2019, 89% (2018: 80%) of the total trade and bills receivables were due from the Group's top five customers.

The credit risk on restricted cash, pledged bank deposits, short-term 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.

(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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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. The contract assets relate to unbilled services and have substantially the same risk characteristics as the trade receivables for same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Measurement of expected credit loss on individual basis

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. During the year ended 31 December 2019, certain customers who did not share the same credit risk characteristics as the rest of the debtors were in delinquency of payments and their respective trade receivable balances amounting to approximately RMB595,000 (2018: Nil) were therefore fully impaired.

The following table presents the balances of gross carrying amounts and the loss allowance in respect of individually assessed trade receivables as at 31 December 2019 and 31 December 2018:

	Current RMB'000	1-30 days past due RMB'000	31-60 days past due RMB'000	61-90 days past due RMB'000	91 - 180 days past due RMB'000	Over 180 days past due RMB'000	Total RMB'000
31 December 2019							
Gross carrying amount-trade receivables	–	–	–	–	–	595	595
Expected loss rate	–	–	–	–	–	100%	100%
Loss allowance	–	–	–	–	–	(595)	(595)
31 December 2018							
Gross carrying amount-trade receivables	–	–	–	–	–	–	–
Expected loss rate	–	–	–	–	–	–	–
Loss allowance	–	–	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iii) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates 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.

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 2019 and 2018, 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 2019, the Group held cash and cash equivalents of approximately RMB107,856,000 (2018: RMB137,678,000), that are expected to be readily available 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 2019, the Group's total undrawn banking facilities amounted to approximately RMB9,121,000 (2018: RMB62,800,000), and the Group's total drawn banking facilities amounted to approximately RMB15,879,000 (2018: RMB2,200,000).

The above undrawn facilities are secured by pledged bank deposits amounting to approximately RMB7,500,000.

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, finance lease liability and lease liabilities 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	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2019				
Trade and bills payables	—	127,501	—	127,501
Other payables and accruals	—	9,231	—	9,231
Bank borrowings - principal portion	16,422	—	—	16,422
Lease liabilities	7,348	2,703	593	10,644
	23,770	139,435	593	163,798

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (Continued)

(iv) Liquidity risk (Continued)

	Repayable on demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
At 31 December 2018				
Trade and bills 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

The table below analyses the bank borrowings, finance lease liability and lease liabilities 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 2019				
Bank borrowings				
– Principal portion	**10,180**	**5,335**	**907**	**16,422**
– Interest portion	**343**	**127**	**4**	**474**
Lease liabilities	**6,989**	**4,073**	**—**	**11,062**
	17,512	**9,535**	**911**	**27,958**
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

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 2019 and 2018 were as follows:

	2019 **RMB'000**	2018 RMB'000
Total borrowings (bank borrowings and lease liabilities)	**27,066**	13,166
Total equity	**236,181**	209,291
Total debt to total capital ratio	**11%**	6%

The increase in total debt to total capital ratio from approximately 6% as at 31 December 2018 to 11% as at 31 December 2019 was mainly due to the increase in total borrowings.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities include cash and cash equivalents, short-term bank deposits, pledged bank deposits, restricted cash, trade and bills receivables, deposit and other receivables, trade and bills payables, other payables, bank borrowings and lease liabilities 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 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

(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:

	2019 **RMB'000**	2018 RMB'000
Timing of revenue recognition		
At a point in time - sales of goods	**458,942**	481,812
Over time - provision of services	**87,383**	64,881
	546,325	546,693

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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:

	2019 RMB'000	2018 RMB'000
The PRC	**452,170**	422,327
Mexico	**12,783**	97,108
Brazil	**23,316**	3,300
South Korea	**15,513**	10,649
India	**14,313**	—
Hong Kong	**11,648**	—
Others (Note)	**16,582**	13,309
	546,325	546,693

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

(c) Details of contract liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities (Note 24)	**15,679**	18,614

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 2019 and 2018, 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 2019 and 2018 due to fluctuation in sales with advanced payments.

(ii) During the years ended 31 December 2019 and 2018, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(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, administrative expenses and net impairment losses on financial assets are analysed as follows:

	2019 RMB'000	2018 RMB'000
Cost of raw materials used	**397,873**	407,973
Consumables	**1,871**	3,460
Subcontracting charges	**26,553**	23,911
Employee benefit expenses and manpower services expenses, including Directors' emoluments (Notes 9 and 34)	**52,690**	34,790
Rental expenses of short-term leases in respect of machinery	**5,497**	—
Operating lease rentals in respect of:		
– Machinery	**—**	11,023
– Offices, warehouses, production plant and staff quarters	**—**	3,205
Utilities	**3,950**	3,652
Amortisation (Note 14)	**535**	459
Depreciation (Note 13)	**9,479**	2,550
Auditor's remuneration		
– Audit services (excluding listing expenses)	**1,555**	1,500
– Non-audit services	**—**	—
Listing expenses	**—**	14,638
Professional fees	**2,854**	1,106
(Reversal of)/provision for inventories (Note 17)	**(339)**	1,940
Transportation	**4,581**	4,130
Service fees for product development	**2,094**	2,004
Commission expenses	**1,216**	820
Repairs and maintenance	**1,068**	1,265
Provision of impairment of trade receivables (Note 19)	**595**	—
Others	**7,961**	6,060
Total cost of sales, selling and distribution, administrative expenses and net impairment losses on financial assets	**520,033**	524,486

7 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants	**3,797**	3,062

8 OTHER GAINS, NET

	2019 RMB'000	2018 RMB'000
Exchange differences	(152)	(192)
Gain on disposal of properties, plant and equipment	318	812
	166	620

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

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	43,304	30,486
Pension costs - defined contribution plans (Note a)	4,788	3,119
Other staff welfares	789	368
Total employee benefit expenses (including Directors' remunerations)	48,881	33,973
Manpower service expenses (Note b)	3,809	817
	52,690	34,790

(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 2019 and 2018, 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 2019 and 2018, 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 2019 (2018: three), whose emoluments are reflected in the analysis presented in Note 34. The emoluments payable to the remaining two individuals for the year ended 31 December 2019 (2018: two) are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, wages and bonuses	**1,064**	1,174
Pension costs - defined contribution plans	**133**	122
	1,197	1,296

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
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 2019 and 2018, 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

	2019 RMB'000	2018 RMB'000
Finance income		
Interest income on cash and cash equivalent, pledged bank deposits, short-term bank deposits and restricted cash	**374**	129
Finance costs		
Interest expense on bank borrowings	**(617)**	(452)
Interest expense on finance lease liability	**—**	(76)
Interest expense on leases (Note 13 (b))	**(630)**	—
Bank charges	**(195)**	(162)
	(1,442)	(690)
Finance costs, net	**(1,068)**	(561)

11 INCOME TAX EXPENSE

During the years ended 31 December 2019 and 2018, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the years ended 31 December 2019 and 2018, the Group's subsidiary in the PRC has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

	2019 RMB'000	2018 RMB'000
Current income tax		
– PRC corporate income tax ("CIT")	**3,335**	2,574
– Hong Kong profits tax	**449**	2,268
– Over-provision in prior years	**—**	(692)
Total current income tax	**3,784**	4,150
Deferred income tax (Note 22)	**(54)**	584
Income tax expense	**3,730**	4,734

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:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**29,187**	25,328
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**4,317**	3,753
Tax effect of:		
Income not subject to tax	**(164)**	(10)
Expenses not deductible for tax purpose	**1,256**	3,169
Tax loss not recognised	**49**	—
Over-provision in prior years	**—**	(692)
Withholding tax	**104**	—
Tax exemption and rebate	**(1,687)**	(1,486)
Tax concession	**(145)**	—
Income tax expense	**3,730**	4,734

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.

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong ("IRD") from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2019 is subject to tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

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 2019 and 2018. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which took place on 25 July 2018 as set out in Note 21.

	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	25,457	20,594
Weighted average number of ordinary shares in issue (thousands of shares)	300,000	253,356
Basic and diluted earnings per share (RMB cents)	8.49	8.13

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 2019 and 2018.

13 PROPERTIES, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000	Buildings RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018							
Cost	—	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	—	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	—	4,731	24	1,468	6,950	680	13,853
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)

	Right-of-use assets RMB'000	Buildings RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2019							
Opening net book amount	—	4,430	10	1,365	43,945	1,497	51,247
Adjustment for change in accounting policy	18,161	—	—	—	(12,699)	—	5,462
Restated opening net book amount	18,161	4,430	10	1,365	31,246	1,497	56,709
Additions	27,861	—	—	295	3,065	120	31,341
Depreciation	(4,050)	(299)	(10)	(545)	(4,223)	(352)	(9,479)
Disposals	—	—	—	—	(11)	—	(11)
Exchange difference	—	—	—	—	—	11	11
Closing net book amount	41,972	4,131	—	1,115	30,077	1,276	78,571
At 31 December 2019							
Cost	49,943	6,015	484	3,123	79,082	3,053	141,700
Accumulated depreciation	(7,971)	(1,884)	(484)	(2,008)	(49,005)	(1,777)	(63,129)
Net book amount	41,972	4,131	—	1,115	30,077	1,276	78,571

During the year ended 31 December 2019, depreciation expenses of approximately RMB1,437,000 (2018: RMB541,000) were charged in administrative expenses; approximately RMB832,000 (2018: RMB183,000) were charged in selling and distribution expenses; approximately RMB7,210,000 (2018: RMB1,826,000) were charged in cost of sales; and approximately Nil (2018: RMB82,000) were included in inventories.

(i) Leased assets - 2018

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 25):

	2019 RMB'000	2018 RMB'000
Leased plant and machinery		
Cost	—	12,699
Accumulated depreciation	—	—
Net book amount	—	12,699

From 2019 leased assets are presented as a right-of-use assets, see Note 13(b).

(ii) Non-current assets pledged as security

Refer to Note 30 for information on non-current assets pledged as security by the Group.

13(b) LEASES

(i) Amounts recognised in the consolidated balance sheet

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

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Right-of-use assets*		
Land-use rights**	27,463	—
Properties	3,080	5,462
Plant and machinery	11,429	12,699
	41,972	18,161

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

** The Group has land lease arrangement with Mainland China government.

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Lease liabilities		
Current portion	10,051	13,578
Non-current portion	593	3,092
	10,644	16,670

Additions to the right-of-use assets amounted to approximately RMB27,861,000 during the year ended 31 December 2019.

A lease also has a repayable on demand clause which can be exercised at the lender's sole discretion. Accordingly, the corresponding lease liability is classified as current liability.

The carrying amounts of the Group's lease liabilities were denominated in the following currencies:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
RMB	3,296	5,704
USD	7,348	10,966
	10,644	16,670

13(b) LEASES (CONTINUED)

(ii) Amounts recognised in the consolidated income statement

	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets		
Land-use rights	185	—
Properties	2,595	—
Plant and machinery	1,270	—
	4,050	—
Interest expense on leases (Note 10)	630	—
Rental expenses of short-term leases in respect of machinery (Note 6)	5,497	—

(iii) Amounts recognised in the consolidated statement of cash flows

During the year ended 31 December 2019, the total cash outflows for leases were analysed as below:

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities*		
Payments for short-term leases in respect of machinery	5,497	—
Cash flows from financing activities		
Payment of interest element of lease liabilities	630	—
Payment of principal element of lease liabilities	6,369	—
The total cash outflow of leases	12,496	—

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations using the indirect method.

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

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

(v) Termination options

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

14 INTANGIBLE ASSETS

	Membership right RMB'000	System software RMB'000	Total RMB'000
At 1 January 2018			
Cost	—	1,881	1,881
Accumulated amortisation	—	(403)	(403)
Net book amount	—	1,478	1,478
Year ended 31 December 2018			
Opening net book amount	—	1,478	1,478
Additions	—	599	599
Amortisation	—	(459)	(459)
Closing net book amount	—	1,618	1,618
At 31 December 2018			
Cost	—	2,480	2,480
Accumulated amortisation	—	(862)	(862)
Net book amount	—	1,618	1,618
Year ended 31 December 2019			
Opening net book amount	**—**	**1,618**	**1,618**
Additions	**610**	**42**	**652**
Amortisation	**(20)**	**(515)**	**(535)**
Closing net book amount	**590**	**1,145**	**1,735**
At 31 December 2019			
Cost	**610**	**2,522**	**3,132**
Accumulated amortisation	**(20)**	**(1,377)**	**(1,397)**
Net book amount	**590**	**1,145**	**1,735**

During the year ended 31 December 2019, amortisation expenses of approximately RMB124,000 (2018: RMB83,000) were charged in administrative expenses; appoximately RMB23,000 (2018: Nil) were charged in selling and distribution expenses and approximately RMB388,000 (2018: RMB376,000) were charged in cost of sales respectively.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost	
	2019 RMB'000	2018 RMB'000
Assets as per consolidated balance sheet		
Trade and bills receivables (Note 19)	**153,801**	111,955
Deposits and other receivables (Note 16)	**7,785**	1,450
Restricted cash (Note 18)	**2,865**	—
Pledged bank deposits (Note 18)	**7,500**	3,300
Short-term bank deposits (Note 18)	**9,184**	—
Cash and cash equivalents (Note 18)	**107,856**	137,678
	288,991	254,383

	Financial liabilities at amortised cost	
	2019 RMB'000	2018 RMB'000
Liabilities as per consolidated balance sheet		
Trade and bills payables (Note 23)	**127,501**	107,624
Other payables and accruals (Note 24)	**9,231**	9,197
Bank borrowings (Note 25)	**16,422**	2,200
Finance lease liability (Note 25)	**—**	10,966
Lease liabilities (Note 13(b))	**10,644**	—
	163,798	129,987

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Current portion		
Prepayments	**13,767**	9,472
Deposits (Note a)	**6,778**	64
Other receivables (Notes a and b)	**486**	930
	21,031	10,466
Non-current portion		
Deposits (Note a)	**521**	456
Prepayments for the acquisition of properties, plant and equipment	**808**	—
	22,360	10,922

Notes:

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

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

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

	2019 RMB'000	2018 RMB'000
RMB	**17,197**	5,261
USD	**5,014**	4,227
HK$	**149**	1,434
	22,360	10,922

17 INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**33,413**	33,960
Work in progress	**4,344**	3,334
Finished goods	**14,770**	11,420
	52,527	48,714

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2019 amounted to approximately RMB484,950,000 (2018: RMB479,947,000) which included reversal of inventory provision amounting to approximately RMB339,000 (2018: provision of inventory amounting to approximately RMB1,940,000).

18 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

	2019 RMB'000	2018 RMB'000
Current portion		
Cash at banks	107,749	137,561
Cash on hand	107	117
Cash and cash equivalents (Note a)	107,856	137,678
Restricted cash	182	—
Pledged bank deposits (Note b)	7,500	3,300
Structured bank deposits (Note c)	9,129	—
Other short-term bank deposits (Note d)	55	—
Non-current portion		
Restricted cash (Note e)	2,683	—
Total cash and bank balances	127,405	140,978
Maximum exposure to credit risk	127,298	140,861

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

	2019 RMB'000	2018 RMB'000
RMB	52,962	51,397
USD	27,572	27,701
HK$	46,871	61,880
	127,405	140,978

As at 31 December 2019 and 2018, the carrying amounts of cash and cash equivalents, pledged bank deposits, short-term bank deposits and restricted cash approximated their fair values.

As at 31 December 2019, cash and cash equivalent of the Group amounting to approximately RMB79,826,000 (2018: RMB72,504,000) 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.

Notes:

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

	2019 RMB'000	2018 RMB'000
Cash at banks and on hands	107,856	137,678

Cash at banks earned interest at floating rates based on daily bank deposits rate.

18 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH (CONTINUED)

Notes: (Continued)

(b) As at 31 December 2019, deposits amounted to approximately RMB7,500,000 (2018: RMB3,300,000) were pledged for the facilities granted by banks to the Group, details of which are set out in Note 25.

As at 31 December 2019, the weighted average interest rate of the pledged bank deposits was 1.48% (2018: 1.64%) per annum. The pledged bank deposits of the Group have an average maturity of 306 days (2018: 365 days).

(c) As at 31 December 2019, the effective interest rate on structured bank deposits was 0.29% (2018: Nil) per annum. The structured bank deposits of the Group will mature in 153 days (2018: Nil).

(d) As at 31 December 2019, the effective interest rate on other short term bank deposits was 1.58% (2018: Nil) per annum. The short term bank deposits of the Group have an average maturity of 365 days (2018: Nil).

(e) The Group entered into an agreement with Huizhou City Huicheng District Natural Resources Bureau on 22 July 2019 pursuant to which the Group acquired a land use right in Huizhou City. The total consideration of the land use right is approximately RMB26,830,000 and the Group is required to develop and utilise the land as its manufacturing plant.

As at 31 December 2019, a bank deposit of RMB2,683,000 (2018: Nil) was held in a designated bank account as a guarantee for the aforementioned development on project. Such guarantee deposits will be released upon the fulfilment of certain conditions required by this agreement. The effective interest rate on the restricted cash was 1.75% (2018: Nil) per annum.

19 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Contract assets	**7,559**	10,699
Trade receivables	**153,796**	78,545
Bills receivables	**600**	33,410
Less: provision for impairment of trade receivables	**(595)**	—
Trade and bills receivables	**153,801**	111,955
Contract assets, trade and bills receivables	**161,360**	122,654

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

As at 31 December 2019 and 2018, 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.

19 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**143,670**	106,981
Over 3 months	**10,726**	4,974
	154,396	111,955
Less: provision for impairment of trade receivables	**(595)**	—
	153,801	111,955

As at 31 December 2019 and 2018, trade receivables of approximately RMB35,528,000 and RMB18,515,000 were past due respectively.

During the year ended 31 Decmebre 2019, trade receivables amounting to approximately RMB595,000 were fully impaired in respect of certain debtors who were in delinquency of payments.

Movements of the provision on individual basis were as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
At beginning of the year	**—**	—
Provision for impairment of trade receivable on individual basis	**595**	—
At end of the year	**595**	—

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

	2019 RMB'000	2018 RMB'000
RMB	**137,398**	116,521
USD	**23,962**	6,133
	161,360	122,654

The maximum exposure to credit risk as at 31 December 2019 and 2018 was the carrying value of the contract assets and receivables mentioned above. The Group does not hold any collateral as security.

20 DEFERRED GOVERNMENT GRANTS

	2019 RMB'000	2018 RMB'000
At 1 January	**—**	—
Received during the year	**1,827**	—
Released to the consolidated income statement	**(542)**	—
At end of year	**1,285**	—

During the year ended 31 December 2019, government grants were received for the purchase of certain equipment. There were no unfulfilled conditions or contingencies attached to these grants.

21 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value HK$
Share capital		
Authorised:		
At 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, 1 January 2019 and 31 December 2019	8,000,000,000	80,000,000

	Number of shares	Nominal value HK$	Share premium HK$
Issued and fully paid:			
At 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 and 1 January 2019 and 31 December 2019	300,000,000	3,000,000	126,960,570

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.

22 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:

	2019 RMB'000	2018 RMB'000
Deferred tax assets to be recovered after more than 12 months	264	175
Deferred tax asset to be recovered within 12 months	327	326
	591	501

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

	2019 RMB'000	2018 RMB'000
At beginning of year, as previously reported	501	1,085
Adjustment on adoption of HKFRS 16	36	—
At beginning of year, as restated	537	1,085
Credited/(charged) to consolidated income statement (Note 11)	54	(584)
At end of year	591	501

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2019 and 2018, 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	Right-of-use assets and lease liabilities RMB'000	Government grants RMB'000	Provision RMB'000	Total RMB'000
At 1 January 2018	305	780	—	—	—	—	1,085
(Charged)/credited to the consolidated income statement	(308)	124	(400)	—	—	—	(584)
At 31 December 2018, as previously reported	(3)	904	(400)	—	—	—	501
Adjustment on adoption of HKFRS 16	—	—	—	36	—	—	36
At 1 January 2019. as restated	(3)	904	(400)	36	—	—	537
(Charged)/credited to the consolidated income statement	(727)	276	226	(4)	193	90	54
At 31 December 2019	(730)	1,180	(174)	32	193	90	591

22 DEFERRED INCOME TAX ASSETS (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. Other than the deferred income tax assets of RMB49,000 (2018: Nil) in respect of losses amounting to RMB198,000 (2018: Nil) that can be carried forward against future taxable income which will expire in 2029, the Group did not have other material unrecognized deferred income tax assets as at 31 December 2019 and 2018.

The Group had undistributed earnings of approximately RMB119,268,000 as at 31 December 2019 (2018: RMB90,506,000), 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.

23 TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**116,642**	107,624
Bills payables	**10,859**	—
	127,501	107,624

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**119,384**	93,573
Over 3 months	**8,117**	14,051
	127,501	107,624

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

	2019 RMB'000	2018 RMB'000
RMB	**115,285**	94,243
USD	**12,216**	13,381
	127,501	107,624

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

24 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Other payables	**6,520**	6,749
Other tax payables	**7,439**	1,892
Accruals	**16,933**	13,429
Contract liabilities (Note 5(c))	**15,679**	18,614
	46,571	40,684

As at 31 December 2019 and 2018, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values.

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

	2019 RMB'000	2018 RMB'000
RMB	**32,209**	23,280
USD	**13,097**	16,526
HK$	**1,265**	878
	46,571	40,684

25 BORROWINGS

Borrowings were analysed as follows:

	2019 RMB'000	2018 RMB'000
Current		
Bank borrowings - secured (Note i)	**16,422**	2,200
Finance lease liability - secured (Note ii)	**—**	10,966
	16,422	13,166

(i) Bank borrowings

As at 31 December 2019 and 2018, the weighted average interest rate per annum of the Group's bank borrowings was 4.13% and 5.86% respectively.

As at 31 December 2019 and 2018, the carrying amounts of the bank borrowings approximated their fair values.

As at 31 December 2019, the Group's bank borrowings were secured by pledged bank deposit amounting to RMB7,500,000 (2018: RMB3,300,000) and a corporate guarantee provided by the Company.

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 2019 and 2018, the Group's bank borrowings were secured by the corporate guarantee given by the Company.

As at 31 December 2019 and 2018, the Group's borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**16,422**	2,200

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

25 BORROWINGS (CONTINUED)

(ii) Finance lease liability - 2018

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.

Finance lease liabilities were included in borrowings until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See Note 2.2 for further information about the change in the accounting policy for leases.

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:

	2019 **RMB'000**	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

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019 RMB'000	2018 RMB'000
Profit before income tax	**29,187**	25,328
Adjustments for:		
Finance income	**(374)**	(129)
Finance costs	**1,442**	690
Depreciation	**9,479**	2,550
Amortisation	**535**	459
(Reversal of)/provision for inventories	**(339)**	1,940
Provision for impairment of trade receivables	**595**	—
Gain on disposal of properties, plant and equipment	**(318)**	(812)
Government grants	**(542)**	—
	39,665	30,026
Changes in working capital:		
– Contract assets, trade and bills receivables	**(38,942)**	(51,469)
– Prepayments, deposits and other receivables	**(10,004)**	(1,563)
– Inventories	**(3,474)**	(19,123)
– Trade and bills payables	**19,877**	51,992
– Contract liabilities, other payables and accruals	**6,096**	8,865
Cash generated from operations	**13,218**	18,728

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

	2019 RMB'000	2018 RMB'000
Net book amount disposed	**11**	335
Gain on disposal of properties, plant and equipment	**318**	812
Proceeds from disposal of properties, plant and equipment	**329**	1,147

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

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

	Bank borrowings RMB'000	Finance lease liability RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	5,000	—	—	5,000
Cash flows				
– Proceeds from bank borrowings	12,866	—	—	12,866
– Repayment of bank borrowings	(15,666)	—	—	(15,666)
– Proceeds from sales and finance leaseback arrangement	—	12,699	—	12,699
– Payment of sales and finance leaseback arrangement cost	—	(914)	—	(914)
– Payment of capital element of finance lease liability	—	(606)	—	(606)
– Payment of interest element of finance lease liability	—	(76)	—	(76)
– Payment of interests on bank borrowings	(452)	—	—	(452)
Other non-cash movements				
– Interest expense on finance lease liability	—	76	—	76
– Interest expense on bank borrowings	452	—	—	452
– Currency translation differences	—	(213)	—	(213)
At 31 December 2018, as previously reported	2,200	10,966	—	13,166
Recognised on adoption of HKFRS 16 (Note 2.2)	—	(10,966)	16,670	5,704
At 1 January 2019, as restated	**2,200**	**—**	**16,670**	**18,870**
Cash flows				
– Proceeds from bank borrowings	**28,026**	**—**	**—**	**28,026**
– Repayment of bank borrowings	**(13,901)**	**—**	**—**	**(13,901)**
– Payment of principal element of lease liabilities	**—**	**—**	**(6,369)**	**(6,369)**
– Payment of interest element of lease liabilities	**—**	**—**	**(630)**	**(630)**
– Payment of interests on bank borrowings	**(617)**	**—**	**—**	**(617)**
Other non-cash movements				
– Interest expense on bank borrowings and lease liabilities	**617**	**—**	**630**	**1,247**
– Addition of lease liabilities	**—**	**—**	**213**	**213**
– Currency translation differences	**97**	**—**	**130**	**227**
At 31 December 2019	**16,422**	**—**	**10,644**	**27,066**

27 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2019 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	
				2019	2018
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"), Investment holding in 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 manufacturing company	Electronic 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%
Huizhou City Eternity Technology Company Limited#	The PRC, limited liability manufacturing company	Electronic services in the PRC	RMB30,000,000	**100%**	N/A

* Equity interest directly held by the Company.
\# Equity interest indirectly held by the Company.

28 COMMITMENTS

(a) Capital commitments

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

	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Property, plant and equipment	**876**	1,370

28 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The Group leases various offices, warehouses, production plant and staff quarters under non-cancellable operating leases expiring within six months to two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 2.2 and Note 13(b) for further information.

	2019 **RMB'000**	2018 RMB'000
Within 1 year	**—**	3,949
After 1 year and no later than 5 years	**—**	3,225
	—	7,174

29 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2019 and 2018.

30 ASSETS PLEDGED AS SECURITIES

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

	2019 **RMB'000**	2018 RMB'000
Current		
Floating charge		
Pledged bank deposits	**7,500**	3,300
Total current assets pledged as securities	**7,500**	3,300
Non-current		
Finance lease		
Equipment	**—**	12,699
Floating charge		
Equipment	**27,712**	—
Total non-current assets pledged as securities	**27,712**	12,699
Total assets pledged as securities	**35,212**	15,999

31 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.

Major related parties that had transactions with the Group during the years ended 31 December 2019 and 2018 were as follows:

Related parties	**Relationship with the Company**
Ma Fujun	Director and controlling shareholder
Cheng Lihong	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 2019 and 2018, at terms mutually agreed by both parties:

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

	2019 RMB'000	2018 RMB'000
Shenzhen Qianhai Yuta Technology Company Limited* (深圳市前海宇發科技有限公司) (Note)	**784**	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*

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

	2019 RMB'000	2018 RMB'000
Wages and salaries	2,506	2,178
Pension costs - defined contribution plan	265	220
	2,771	2,398

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

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

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

* *For identification purpose only*

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus (COVID-19) (the "**Novel Coronavirus Outbreak**"), a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Novel Coronavirus Outbreak, including imposing restriction on resumption date of production after the Chinese New Year Holiday.

The operation of the Group's production plant in Shenzhen (the "**Shenzhen Production Plant**") has been suspended after the statutory holidays for Chinese New Year as part of the Chinese government's countermeasures in containing the Novel Coronavirus Outbreak.

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTINUED)

After inspection being done at the Shenzhen Production Plant by the relevant government authority, the Group received an official notice on 14 February 2020 approving the resumption of limited production of the Shenzhen Production Plant. As such, the Shenzhen Production Plant resumed its operation and production started on 15 February 2020.

However, due to the suspension or limited service of transportation facilities in certain area, certain workers in the affected provinces and municipalities who unable to return to production units in Shenzhen as planned, which has resulted in temporarily drop in production of the Shenzhen Production Plant. The Novel Coronavirus Outbreak also adversely affected the supply chain logistics and the Group experienced delay in the supply of raw materials from its suppliers. It is expected that the Shenzhen Production Plant will experience delay in resuming to original production schedule and there will be late delivery of products in the first half year of 2020.

Furthermore, over the last few years, one of the largest customers of the Group, a company listed on the Chi Next Board, is located in Wuhan, Hubei Province, the PRC. The Group is in the process of communicating with the said customer and other customers to arrange the production schedule and adjust delivery time of the sales orders placed.

Under such special circumstances, the Group is currently working closely with its suppliers to speed up the delivery of raw materials and liaising with the customers to adjust delivery schedule to minimize any negative economic impact on both sides.

The suspension and the temporarily lower than original production level are likely to have a negative impact on the Group's future financial results. The Group will continue to assess the impact of Novel Coronavirus Outbreak on the financial performance and closely monitor the development of the Novel Coronavirus Outbreak and the exposure to the risks and uncertainties in this connection. The Company will take appropriate measures as necessary.

33 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company as at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current asset			
Interests in subsidiaries	c	**46,011**	46,011
Total non-current assets		**46,011**	46,011
Current assets			
Other receivables, deposits and prepayments		**207**	
Amounts due from subsidiaries		**38,531**	37,729
Cash and cash equivalents		**37,099**	40,909
Total current assets		**75,837**	78,638
Total assets		**121,848**	124,649
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	b	**2,619**	2,619
Share premium	b	**110,868**	110,868
Reserves	b	**21,320**	19,997
Accumulated losses	b	**(26,152)**	(21,395)
Total equity		**108,655**	112,089
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**11,928**	11,681
Other payables and accruals		**1,265**	879
Total liabilities		**13,193**	12,560
Total equity and liabilities		**121,848**	124,649

The balance sheet of the Company was approved by the Board of Directors on 13 March 2020 and was signed on its behalf.

Ma Fujun
Director

Chen Xiaoyuan
Director

33 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	Accumulated losses RMB'000	Total RMB'000
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 income:						
Currency translation differences	—	—	492	—	—	492
Total other comprehensive losses	—	—	492	—	(16,228)	(15,736)
Transactions with owners						
Capitalisation issue (Note 21)	1,964	(1,964)	—	—	—	—
Issuance of shares upon the Listing (Note 21)	655	113,939	—	—	—	114,594
Share issuance costs (Note 21)	—	(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
At 1 January 2019	**2,619**	**110,868**	**305**	**19,692**	**(21,395)**	**112,089**
Comprehensive losses:						
Loss for the year	**—**	**—**	**—**	**—**	**(4,757)**	**(4,757)**
Other comprehensive income:						
Currency translation differences	**—**	**—**	**1,323**	**—**	**—**	**1,323**
Total other comprehensive losses	**—**	**—**	**1,323**	**—**	**(4,757)**	**(3,434)**
At 31 December 2019	**2,619**	**110,868**	**1,628**	**19,692**	**(26,152)**	**108,655**

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

(c) Interests in subsidiaries

	2019 RMB'000	2018 RMB'000
Equity investment at cost (Note i)	—	—
Amounts due from subsidiaries (Note ii)	46,011	46,011
	46,011	46,011

Notes:

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

(ii) 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.

34 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 2019						
Executive directors:						
– Ma Fujun	**106**	**363**	**315**	**—**	**73**	**857**
– Cheng Bin	**106**	**253**	**186**	**—**	**64**	**609**
– Chen Xiaoyuan	**106**	**255**	**144**	**—**	**65**	**570**
Independent non-executive directors:						
– Chan Chung Kik Lewis	**106**	**—**	**—**	**—**	**—**	**106**
– Chow Kit Ting	**106**	**—**	**—**	**—**	**—**	**106**
– Wu Chi-luen	**106**	**—**	**—**	**—**	**—**	**106**
	636	**871**	**645**	**—**	**202**	**2,354**

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

34 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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 2019 and 2018 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 2019 and 2018, 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.

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2019 and 2018, 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 2019 and 2018, 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

During the years ended 31 December 2019 and 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.

FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five 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				
	2019	2018	2017	2016	2015
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
REVENUE	**546,325**	546,693	370,162	267,890	182,925
GROSS PROFIT	**60,479**	65,807	60,338	47,530	34,591
PROFIT BEFORE INCOME TAX	**29,187**	25,328	33,750	26,693	18,594
INCOME TAX EXPENSE	**(3,730)**	(4,734)	(5,239)	(4,612)	(4,602)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**25,457**	20,594	28,511	22,081	13,992

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
NON-CURRENT ASSETS	**84,909**	53,822	16,817	14,551	18,415
CURRENT ASSETS	**359,640**	322,812	166,098	153,058	122,324
TOTAL ASSETS	**444,549**	376,634	182,915	167,609	140,739
CURRENT LIABILITIES	**206,490**	167,343	96,556	122,338	117,539
NON-CURRENT LIABILITIES	**1,878**	—	—	—	—
TOTAL LIABILITIES	**208,368**	167,343	96,556	122,338	117,539