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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors ("**Directors**") of Eternity Technology Holdings Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period was approximately RMB546.3 million, representing a slightly decrease of approximately 0.1% as compared with those for the corresponding period in 2018.
- Gross profit of the Group for the Reporting Period was approximately RMB60.5 million, representing a decrease of approximately 8.1% as compared with RMB65.8 million for the corresponding period in 2018.
- Profit attributable to equity holders of the Company for the Reporting Period was approximately RMB25.5 million, representing an increase of approximately 23.6% as compared with those for the corresponding period in 2018. Excluding the listing expenses amounting to RMB14.6 million for the corresponding period in 2018, the Group's profit for the Reporting Period decreased by approximately 27.7% as compared with the adjusted profit of approximately RMB35.2 million for the corresponding period in 2018.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company was RMB8.49 cents for the Reporting Period.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019**	2018
		RMB'000	RMB'000
Revenue	3	**546,325**	546,693
Cost of sales	4	**(485,846)**	(480,886)
Gross profit		**60,479**	65,807
Other income	5	**3,797**	3,062
Other gains, net	6	**166**	620
Selling and distribution expenses	4	**(15,024)**	(13,250)
Administrative expenses	4	**(18,568)**	(30,350)
Net impairment losses on financial assets	4	**(595)**	—
Operating profit		**30,255**	25,889
Finance income		**374**	129
Finance costs		**(1,442)**	(690)
Finance costs, net	7	**(1,068)**	(561)
Profit before income tax		**29,187**	25,328
Income tax expense	8	**(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	9	**RMB8.49 cents**	RMB8.13 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	RMB'000	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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	**2019** RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	10	**78,571**	51,247
Intangible assets		**1,735**	1,618
Prepayments and deposits	11	**1,329**	456
Restricted cash		**2,683**	—
Deferred income tax assets		**591**	501
		84,909	53,822
Current assets			
Inventories	12	**52,527**	48,714
Contract assets	13	**7,559**	10,699
Trade and bills receivables	13	**153,801**	111,955
Prepayments, deposits and other receivables	11	**21,031**	10,466
Restricted cash		**182**	—
Pledged bank deposits		**7,500**	3,300
Short-term bank deposits		**9,184**	—
Cash and cash equivalents		**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		**2,619**	2,619
Share premium		**110,868**	110,868
Retained earnings		**96,010**	73,656
Reserves		**26,684**	22,148
Total equity		**236,181**	209,291

	Note	**2019**	2018
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grants		**1,285**	—
Lease liabilities	10(b)	**593**	—
		1,878	—
Current liabilities			
Trade and bills payables	14	**127,501**	107,624
Other payables and accruals	15	**30,892**	22,070
Finance lease liability		**—**	10,966
Lease liabilities	10(b)	**10,051**	—
Contract liabilities	15	**15,679**	18,614
Bank borrowings		**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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 the Group are principally engaged in the business of electronics manufacturing services. The ultimate holding company of the Company is Rich Blessing Group Limited ("Rich Blessing"), a company incorporated in the British Virgin Islands. The ultimate controlling 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. 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.

(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

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. 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 translations.

2.1 Changes in accounting policies

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

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%.

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

(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	**Impact of the adoption of HKFRS 16**	**As restated under HKFRS 16**
	RMB'000	***RMB'000***	***RMB'000***
	(a)	*(b)*	*(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

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

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

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

(a) Disaggregation of revenue from contracts with customers

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

	2019	2018
	RMB'000	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

(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	2018
	RMB'000	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	2018
	RMB'000	RMB'000
Contract liabilities (Note 15)	**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.

4. 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	2018
	RMB'000	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	**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	**535**	459
Depreciation (Note 10)	**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	**(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 13)	**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

5. OTHER INCOME

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

6. 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

7. 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 10(b))	**(630)**	—
Bank charges	**(195)**	(162)
	(1,442)	(690)
Finance costs, net	**(1,068)**	(561)

8. 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	2018
	RMB'000	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	**(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	2018
	RMB'000	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%.

9. 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.

	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.

10. 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

	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:

	2019	2018
	RMB’000	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 10(b).

10(b) LEASE

(i) Amounts recognised in the consolidated balance sheet

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

	As at 31 December 2019	**As at 1 January 2019**
	RMB’000	**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 10 “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.

(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 7)	**630**	—
Rental expenses of short-term leases in respect of machinery (Note 4)	**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	2018
	RMB'000	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 leasee and not by the respective lessor.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

12. INVENTORIES

	2019	2018
	RMB'000	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).

13. 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.

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	2018
	RMB'000	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	2018
	RMB'000	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	2018
	RMB'000	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.

14. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	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	2018
	RMB'000	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	2018
	RMB'000	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.

15. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	RMB'000
Other payables	**6,520**	6,749
Other tax payables	**7,439**	1,892
Accruals	**16,933**	13,429
Contract liabilities (Note 3(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	2018
	RMB'000	RMB'000
RMB	**32,209**	23,280
USD	**13,097**	16,526
HK$	**1,265**	878
	46,571	40,684

16. DIVIDEND

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

BUSINESS REVIEW

The year 2019 was full of challenges for China's and the world's economic. During the Reporting Period, trade fictions 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 printed circuit board assembly (the "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 STRATEGY

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.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

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	2018
	RMB'000	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	2018	Change	**2019**	2018	Change
	RMB'000	RMB'000	%			
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	2018	Change	**2019**	2018	Change
	RMB'000	RMB'000	(%)	**%**	%	(%)
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 31 December 2019.

Borrowings, the Pledge of Assets and Restricted Cash

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.

* For identification purpose only

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 7% 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 Renminbi ("**RMB**"), Hong Kong dollar ("**HK$**") and United States dollar ("**USD**"), and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than USD, HK$ or RMB. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately 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 AND SIGNIFICANT INVESTMENTS

Saved as aforesaid in this announcement, the Group did not have any material acquisitions, disposals 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 fictions 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 has 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 launched 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.

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 announcement, 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 announcement.

CORPORATE GOVERNANCE PRACTICES

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

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

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. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS OF 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 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.szeternity.com). The annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress and to our shareholders, customers and business partners for their support.

By order of the Board
Eternity Technology Holdings Limited
Ma Fujun
Chairman & Executive Director

Hong Kong, 13 March 2020

As at the date of this announcement, the Board comprises the following members:

Executive Directors
Mr. Ma Fujun *(Chairman)*
Ms. Chen Xiaoyuan
Mr. Cheng Bin

Independent Non-executive Directors
Mr. Wu Chi-luen
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

* *For identification purposes only*