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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 2018

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 2018 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period was approximately RMB546.7 million, representing an increase of approximately 47.7% as compared with those for the corresponding period in 2017.
- Gross profit of the Group for the Reporting Period was approximately RMB65.8 million, representing an increase of approximately 9.1% as compared with RMB60.3 million for the corresponding period in 2017.
- Profit attributable to equity holders of the Company for the Reporting Period was approximately RMB20.6 million, representing a decrease of approximately 27.8% as compared with those for the corresponding period in 2017. Excluding the listing expenses amounting to RMB14.6 million for the Reporting Period (2017: RMB5.6 million), the Group’s adjusted profit for the Reporting Period would have been approximately RMB35.2 million, representing an increase of approximately 2.9% as compared with RMB34.2 million for the corresponding period in 2017.
- Basic and diluted earnings per share attributable to ordinary equity holders of the Company was RMB8.13 cents for the Reporting Period.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	3	546,693	370,162
Cost of sales	6	(480,886)	(309,824)
Gross profit		65,807	60,338
Other income	4	3,062	828
Other gains, net	5	620	1,223
Selling and distribution expenses	6	(13,250)	(9,534)
Administrative expenses	6	(30,350)	(18,404)
Operating profit		25,889	34,451
Finance income		129	99
Finance costs		(690)	(800)
Finance costs, net		(561)	(701)
Profit before income tax		25,328	33,750
Income tax expense	7	(4,734)	(5,239)
Profit for the year attributable to equity holders of the Company		20,594	28,511
Earnings per share attributable to equity holders of the Company			
		RMB	RMB
Basic and diluted	8	8.13 cents	13.34 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Properties, plant and equipment	10	51,247	13,853
Intangible assets		1,618	1,478
Deposits	11	456	401
Deferred income tax assets		501	1,085
		<u>53,822</u>	<u>16,817</u>
Current assets			
Inventories	12	48,714	31,449
Contract assets	13	10,699	—
Trade and bills receivables	13	111,955	71,090
Prepayments, deposits and other receivables	11	10,466	10,425
Pledged bank deposits		3,300	—
Cash and cash equivalents		137,678	53,134
		<u>322,812</u>	<u>166,098</u>
Total assets		<u>376,634</u>	<u>182,915</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		2,619	—
Share premium		110,868	12,165
Retained earnings		73,656	55,604
Reserves		22,148	18,590
Total equity		<u>209,291</u>	<u>86,359</u>

		2018	2017
	Note	RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Trade payables	14	107,624	55,632
Other payables and accruals	15	22,070	19,700
Finance lease liability		10,966	—
Contract liabilities	15	18,614	11,389
Bank borrowings		2,200	5,000
Current income tax liabilities		5,869	4,835
		<hr/>	<hr/>
Total liabilities		167,343	96,556
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		376,634	182,915
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 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 is principally engaged in the business of electronics manufacturing services (“EMS”). The ultimate holding company of the Company is Rich Blessing Group Limited (“**Rich Blessing**”), a company incorporated in the British Virgin Islands. The ultimate controlling 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 (“**Stock Exchange**”) (the “**Listing**”) on 16 August 2018 (the “**Listing Date**”).

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.

1.2 Reorganisation

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the reorganisation which mainly involved the following steps:

- (a) On 15 March 2017, the Company was incorporated in the Cayman Islands. 323 shares and 17 shares of the Company were allotted and issued to Rich Blessing and In Good Investment Limited (“**In Good**”), a former pre-IPO investor, respectively on the same date.
- (b) On 23 March 2017, the Company subscribed one fully paid share of Total United Holdings Limited (“**Total United**”). Total United became a wholly owned subsidiary of the Company.
- (c) On 27 March 2017, In Good injected capital in the amount of RMB919,000 into Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司) (“**Shenzhen Hengchang Sheng**”).

- (d) On 30 March 2017, Agreeable Company Limited (“**Agreeable**”) was incorporated in Hong Kong and controlled by Total United, a wholly owned subsidiary of the Company.
- (e) On 12 May 2017, Agreeable acquired the entire equity interest in Shenzhen Hengchang Sheng from its then shareholders at a total cash consideration of RMB18,383,000.
- (f) On 17 May 2017, In Good transferred its 17 shares of the Company to Elite Foster International Investment Limited (“**Elite Foster**”) (a pre-IPO investor).
- (g) On 18 May 2017, Elite Foster subscribed for 40 shares of the Company at cash consideration of HK\$13,860,000 (approximately RMB12,165,000). After the aforesaid subscription of shares, the Company was owned as to 85% by Rich Blessing and 15% by Elite Foster.
- (h) On 23 May 2017 and 1 June 2017, Elite Foster and Rich Blessing advanced shareholders’ loans in the amounts of HK\$1,140,000 (approximately RMB992,000) (the “**Elite Foster Shareholder’s Loan**”) and HK\$21,500,000 (approximately RMB18,700,000) (the “**Rich Blessing Shareholder’s Loan**”), respectively, to the Company.
- (i) On 1 June 2017, Total United acquired the entire issued shares of Eternity Technology Development Limited from Mr. Ma at cash consideration of HK\$1,800,000 (approximately RMB1,566,000).
- (j) On 8 June 2017, the Company capitalised the full amount of the Rich Blessing Shareholder’s Loan and Elite Foster Shareholder’s Loan by allotment and issuing of 85 and 15 ordinary shares of the Company, credited as fully paid, to Rich Blessing and Elite Foster, respectively. After the aforesaid loan capitalisation, the Company remained owned as to 85% by Rich Blessing and 15% by Elite Foster.

2. BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

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

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

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

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

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

The adoption of HKFRS 9 did not result in any restatement of comparative financial information or any impact to the retained earnings as of 1 January 2018 or any impact to the consolidated financial statements during the year ended 31 December 2018.

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

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

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 19 (Amendments)	Plan Amendments, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

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

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

	2018	2017
No later than 1 year	3,949	7,635
Later than 1 year and no later than 5 years	3,225	5,542
	<u>7,174</u>	<u>13,177</u>

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

(a) Disaggregation of revenue from contracts with customers

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

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

(b) Segment revenue by customers' geographical location

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

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

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

(c) Details of contract liabilities

	2018	2017
	RMB'000	RMB'000
Contract liabilities	18,614	11,389

Notes:

- (i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. As at 31 December 2018 and 2017, the contract liabilities mainly included the advance payments received from sale of electronic products. The balances of contract liabilities fluctuated during the years ended 31 December 2018 and 2017 due to fluctuation in sales with advanced payments.
- (ii) During the years ended 31 December 2018 and 2017, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(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. OTHER INCOME

	2018	2017
	RMB'000	RMB'000
Government grants	<u>3,062</u>	<u>828</u>

5. OTHER GAINS, NET

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

6. EXPENSES BY NATURE

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

	2018	2017
	RMB'000	RMB'000
Cost of raw materials used	407,973	239,449
Consumables	3,460	3,464
Subcontracting charges	23,911	22,950
Employee benefit expenses and manpower services expenses, including Directors' emoluments	34,790	34,980
Operating lease rentals in respect of:		
– machinery	11,023	8,658
– offices, warehouses, production plant and staff quarters	3,205	2,700
Utilities	3,652	3,226
Amortisation	459	361
Depreciation (Note 10)	2,550	2,337
Auditor's remuneration		
– Audit services (excluding listing expenses)	1,500	6
– Non-audit services	—	—
Listing expenses	14,638	5,642
Professional fees	1,106	221
Provision for inventories (Note 12)	1,940	1,072
Transportation	4,130	2,114
Service fees for product development	2,004	2,531
Commission expenses	820	1,381
Repairs and maintenance	1,265	928
Others	6,060	5,742
	<hr/>	<hr/>
Total cost of sales, selling and distribution and administrative expenses	524,486	337,762
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

8. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2018 and 2017. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue which took place on 25 July 2018.

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

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

9. DIVIDEND

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

10. PROPERTIES, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017						
Cost	6,015	503	1,696	87,384	1,385	96,983
Accumulated depreciation	(983)	(462)	(843)	(82,218)	(1,168)	(85,674)
Net book amount	<u>5,032</u>	<u>41</u>	<u>853</u>	<u>5,166</u>	<u>217</u>	<u>11,309</u>
Year ended 31 December 2017						
Opening net book amount	5,032	41	853	5,166	217	11,309
Additions	—	—	988	3,686	615	5,289
Depreciation	(301)	(17)	(369)	(1,519)	(152)	(2,358)
Disposals	—	—	(4)	(383)	—	(387)
Closing net book amount	<u>4,731</u>	<u>24</u>	<u>1,468</u>	<u>6,950</u>	<u>680</u>	<u>13,853</u>
At 31 December 2017						
Cost	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	<u>4,731</u>	<u>24</u>	<u>1,468</u>	<u>6,950</u>	<u>680</u>	<u>13,853</u>
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	<u>4,430</u>	<u>10</u>	<u>1,365</u>	<u>43,945</u>	<u>1,497</u>	<u>51,247</u>
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	<u>4,430</u>	<u>10</u>	<u>1,365</u>	<u>43,945</u>	<u>1,497</u>	<u>51,247</u>

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

(i) Leased assets

As at 31 December 2018, the balance of plant and machinery included the following amounts which the Group leased, as a lessee, under a finance lease:

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

- (a) As at 31 December 2018 and 2017, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts were unsecured, interest free and repayable on demand.
- (c) The prepaid listing expenses as at 31 December 2017 were incurred in connection with the listing of the Group and were deducted from equity upon listing during the year ended 31 December 2018.

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

	2018	2017
	RMB'000	RMB'000
RMB	5,261	7,857
United States Dollar ("USD")	4,227	31
Hong Kong Dollar ("HK\$")	1,434	2,938
	<u>10,922</u>	<u>10,826</u>

12. INVENTORIES

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

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

13. CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

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

14. TRADE PAYABLES

	2018	2017
	RMB'000	RMB'000
Trade payables	<u>107,624</u>	<u>55,632</u>

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

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

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

	2018	2017
	RMB'000	RMB'000
RMB	94,243	45,561
USD	13,381	10,071
	<u>107,624</u>	<u>55,632</u>

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

15. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

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

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

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

	2018	2017
	RMB'000	RMB'000
RMB	23,280	22,713
USD	16,526	8,067
HK\$	878	309
	<u>40,684</u>	<u>31,089</u>

BUSINESS REVIEW

The year 2018 was full of challenges as well as opportunities for China's economy. Although affected by the slowdown of China's macro economy, the continuous growth in the EMS industry has been driven by the booming market for electronics products, advancement in manufacturing technology, adoption and implementation of favourable policies which include a strategic plan entitled "**Made in the PRC 2025 (中國製造2025)**" by the PRC Government.

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

BUSINESS STRATEGY

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

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

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

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

Revenue by Product Type

During the Reporting Period, our revenue was generated by our two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Reporting Period and for the year ended 31 December 2017 respectively:

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

PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our revenue generated from sales of PCBAs increased by approximately 15.1% from approximately RMB118.2 million for the year ended 31 December 2017 to approximately RMB136.0 million for the Reporting Period, primarily due to the increase in demand on the PCBAs for smart device and telecommunication.

Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS, photovoltaic inverters, tablets and street lamp controller, are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from sales of fully-assembled electronic products increased by approximately 63.0% from approximately RMB252.0 million for the year ended 31 December 2017 to approximately RMB410.7 million for the Reporting Period, primarily due to an increase in purchase orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC and the increasing sales orders of tablets from an overseas customer.

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB65.8 million, representing an increase of approximately RMB5.5 million or 9.1% as compared with RMB60.3 million for the year ended 31 December 2017. Overall gross profit margin decreased from 16.3% for the year ended 31 December 2017 to 12.0% for the Reporting Period.

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

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 12.9% to approximately RMB23.2 million for the Reporting Period (2017: RMB20.6 million). The gross profit margin decreased to approximately 17.1% for the Reporting Period (2017: 17.4%), which primarily resulted from the increase in the cost of raw materials and changes of product mix.

Fully-assembled electronic products

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

Other Income

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

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our sales staff; (ii) transportation charges; (iii) sales commission paid to our sales agent in respect of customer introduction; and (iv) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB13.3 million (2017: RMB9.5 million), representing an increase of approximately 39.0% as compared to the year ended 31 December 2017. Selling and distribution expense ratio remained stable at approximately 2.4% and 2.6% against revenue for the Reporting Period and the year ended 31 December 2017, respectively.

Administrative Expenses

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

Finance Costs, Net

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

Income Tax Expense

Income tax expense amounted to approximately RMB4.7 million for the Reporting Period (2017: RMB5.2 million). Our major operating subsidiary, Shenzhen Hengchang Sheng, enjoyed a preferential tax treatment because of its accreditation as a New/High - Tech Technology Enterprise and the applicable tax rate was 15%.

Profit Attributable to Equity Holders of the Company

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

Liquidity and Capital Resources

Net Current Assets

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

Borrowings and the Pledge of Assets

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

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 6.3% and 5.8% as at 31 December 2018 and 31 December 2017, respectively. During the Reporting Period, we have increased our borrowings by approximately RMB8.2 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations and the Listing.

Capital Structure

The shares were listed on the Stock Exchange on 16 August 2018. There has been no change in the capital structure of the Company since then. As at 31 December 2018, the number of issued shares of the Company was 300,000,000 ordinary shares of HK\$0.01 each.

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 RMB40.9 million (2017: RMB5.4 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, motor vehicles and intangible assets.

DIVIDEND

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

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme. Other benefits include share options to be granted under the Share Option Schemes.

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Reporting Period, there were no material acquisition, disposal or significant investment by the Group.

USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the “**Prospectus**”) were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer (made pursuant to the Prospectus) (the “**Share Offer**”) received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$96.7 million. During the period from the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 December 2018, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds HK\$ million	Amount utilised HK\$ million	Remaining balance HK\$ million
Expand our production capacity and enhance our production efficiency	64.7	39.0	25.7
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	—	17.4
Further strengthen our research and development capabilities	4.5	0.2	4.3
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.2	3.2
General working capital	6.7	1.3	5.4
	<u>96.7</u>	<u>40.7</u>	<u>56.0</u>

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.

EVENT AFTER THE REPORTING PERIOD

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

CAPITAL COMMITMENT

As at 31 December 2018, the Group's capital commitment amounted to approximately RMB1.4 million (2017: Nil), respectively. The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and future as disclosed in the Prospectus, the Group will explore new business opportunities as and when appropriate, in order to enhance shareholders' value.

CONTINGENT LIABILITIES

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

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 25 July 2018 (the “**Share Option Scheme**”), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that the eligible participants (as defined in the Prospectus) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 30,000,000 shares) unless approved by the shareholders of the Company. Subject to earlier termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option has been granted under the Share Option Scheme up to the date of this 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.

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.

During the year ended 31 December 2018 and up to the date of this announcement, 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 websites of the Company and of the Stock Exchange.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

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

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 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 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 2018 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

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

* *For identification purposes only*