HAILIANG 海亮

Hailiang International Holdings Limited
海亮國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2336)

ANNUAL REPORT

2016

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Feng Hailiang (馮海良先生) *(Chairman)*

Executive Directors

Mr. Cao Jianguo (曹建國先生)
(Chief Executive Officer)
Mr. Zhou Diyong (周迪永先生)
Ms. Ji Danyang (季丹陽女士)

Independent Non-executive Directors

Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan

AUDIT COMMITTEE

Mr. Chang Tat Joel *(Chairman)*
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan

REMUNERATION COMMITTEE

Mr. Ho Gilbert Chi Hang *(Chairman)*
Mr. Zhou Diyong (周迪永先生)
Ms. Ji Danyang (季丹陽女士)
Mr. Chang Tat Joel
Mr. Tsui Kun Lam Ivan

NOMINATION COMMITTEE

Mr. Tsui Kun Lam Ivan *(Chairman)*
Mr. Feng Hailiang (馮海良先生)
Mr. Cao Jianguo (曹建國先生)
Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 2336)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 18, 6th Floor
World-wide House
No. 19 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKS

Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

http://www.hailianghk.com

Dear Shareholders,

On behalf of the board of directors (the "Board") of Hailiang International Holdings Limited (the "Company"), I hereby report the following operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the year ended 31 December 2016, the Group reported revenue of HK$200,080,000, representing a 40% increase as compared with the same period in 2015 (2015: HK$142,562,000), and gross profit increased substantially by 91% to HK$5,435,000 as compared with the same period in 2015 (2015: HK$2,840,000). Despite the material increase in revenue and gross profit, loss recorded for the year kept at similar level of HK$17,678,000 (2015: 17,614,000), and the loss attributable to owners of the Company dropped slightly by 3% to HK$15,896,000 (2015: HK$16,367,000). Basic loss per share was HK0.99 cent (2015: HK1.15 cents).

In 2015, the Group strategically launched its metal trading business, leveraging the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) ("Hailiang Group") in the People's Republic of China (the "PRC"). In 2016, the Group further strengthened its business relationship with customers and suppliers and achieved significantly enlarged sales volume in its metal trading business.

During the year under review, despite the difficult business environment, the Group's sale of semiconductors and related products business managed to secure an increase in demand from business partners and customers, which resulted in increased revenue and profitability.

During the year under review, the Group continued to diversify its business in property development in Australia and commenced to provide development management services for a real estate development project in relation to two pieces of land in Australia.

Chairman's Statement

PROSPECTS

The Group has been managing its existing sale of semiconductor business prudently in view of the slowdown of economic growth in the PRC which has posed negative impact on the electronic industry in general. In addition, the Board is continuously reviewing the operations of the Group and has expanded business ventures including various investment opportunities in overseas property markets as well as in metal trading business which are expected to add significant value and bring long-term prosperity to the Group. The Board is also considering some other property projects in Sydney, Australia with good development potential with a view to enhance growth prospect of the Group and generate return to the shareholders of the Company (the "Shareholders"). Further announcements will be made by the Company in accordance with the requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") if such projects materialise. Besides, the Group is continuously strengthening its sales and marketing force in relation to metal trading business with emphasis on serving needs of different customers in different geographical markets so as to achieve further growth and establish its foothold in the overseas markets.

The Group will continue to develop its existing businesses and will also be proactively seizing new business opportunities with bright prospects and good returns aiming to create value to the Shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all the Shareholders, the Group's bankers, business associates, suppliers and customers for their continuing support to the Group. Further, I would like to give my special thanks to my fellow Board members and all staff members for their hard work and contributions during the past year.

Feng Hailiang 馮海良
Chairman

Hong Kong, 17 March 2017

BUSINESS OVERVIEW

For the year ended 31 December 2016, the Group continued to engage in the sale of metals and semiconductors and related products business, and the development and provision of electronic turnkey device solutions business. At the same time, property development business in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the year ended 31 December 2016, the Group reported revenue of HK$200,080,000, representing a 40% increase as compared with the same period in 2015 (2015: HK$142,562,000) and gross profit of HK$5,435,000, representing a 91% increase as compared with the same period in 2015 (2015: HK$2,840,000). The Group reported loss of HK$17,678,000 for the year ended 31 December 2016 (2015: HK$17,614,000) and other comprehensive expenses of HK$19,503,000 (2015: HK$4,523,000), comprising unrealised fair value losses on the investment in the ordinary shares of China Jinjiang Environment Holding Company Limited (the "Jinjiang Shares") of HK$15,819,000 (2015: HK$Nil) and exchange differences on translation of foreign operations of HK$3,684,000 (2015: HK$4,523,000), which led to the result that the Group recorded total comprehensive expenses for the year of HK$37,181,000 (2015: HK$22,137,000). The loss attributable to owners of the Company for the year was HK$15,896,000 (2015: HK$16,367,000); whereas basic loss per share was HK0.99 cent (2015: HK1.15 cents).

In general, the improvement in the Group's financial performance compared to the same period in 2015 was mainly attributable to the better segment margins of the Group's principal businesses as a result of the management's efforts in locating sales and controlling costs. The unrealised fair value losses on the investment in the Jinjiang Shares recognised under other comprehensive expenses were mainly attributable to (i) the decrease in the market price of the Jinjiang Shares; and (ii) the exchange loss due to depreciation of Singapore dollars against Hong Kong dollars.

BUSINESS REVIEW

Sale of Metals and Semiconductors and Related Products

The Group principally performs a supply and procurement function of standardised semiconductors and related products for its customers mainly for applications in computer, consumer electronic and telecommunication products, and also sells used transmission equipment containing recyclable semiconductor components. In addition, leveraging on the market experience of Hailiang Group, the Group has been selling metals such as copper and nickel for customers in Hong Kong since 2015.

This segment recorded segment profit of HK$633,000 (2015: segment loss of HK$929,000) during the year ended 31 December 2016, and segment margin of 0.4% (2015: negative 0.8%), as a result of the improvement in revenue and profitability.

BUSINESS REVIEW (Continued)

Sale of Metals and Semiconductors and Related Products (Continued)

Electronic industry in China modestly picking up

For the year under review, the revenue of the Group's semiconductors and related products business increased by 301% to HK$58,323,000 (2015: HK$14,562,000). The assuring result of the operation was mainly attributable to the continuous efforts the sales team has been making to locate business opportunities despite the fierce competition in the electronic industry and the slowdown of economic growth in the PRC. The volume, price and profit margin traded by the operation have all been going uptrend which led to the sharp increase in revenue and profitability of the operation.

Metal trading business

To fend off the competitions in its electronic products operations, the Group has further diversified its businesses into metal trading business since 2015. Considering the interconnectedness of global market of the metal trading business, the success of this business requires profound market experience and well-established channels and relationships. During the year ended 31 December 2016, the Group continued to leverage Hailiang Group's extensive metal products trading experience in the PRC, and completed three (2015: two) metal trading transactions with revenue amounted to HK$90,607,000 (2015: HK$99,276,000) during the year ended 31 December 2016. These metal trading transactions represented approximately 45% (2015: 70%) of the Group's total revenue for the year ended 31 December 2016. These customers are private companies incorporated in Hong Kong with whom the Group has established business relationship since 2015. After thorough operation and credibility evaluation, the Group granted credit term of 60 days to one of these customers while the respective trade receivables have been fully settled during the year ended 31 December 2016. The Group did not grant any credit terms to the other customers. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the development and provision of electronic turnkey device solutions business mainly comprise the results of a subsidiary in the PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. Thanks to the enhanced sales efforts, this business segment also achieved up-surging results with an increase in segment revenue by 73% to HK$49,739,000 (2015: HK$28,724,000). However, its segment loss increased by 42% to HK$3,652,000 (2015: HK$2,574,000) as a result of an increase in impairment loss on trade receivables of HK$2,993,000 (2015: HK$Nil) and provision for slow-moving inventories of HK$1,730,000 (2015: HK$Nil).

BUSINESS REVIEW (Continued)

Property Development

Property development business in Australia going forward

The Group conducts its property development business by establishing a property development operation in Australia. For the year ended 31 December 2016, segment revenue of HK$1,411,000 (2015: HK$Nil) was recorded, while segment loss of HK$4,898,000 (2015: HK$9,386,000) was recorded which mainly comprised the operating and administrative expenses incurred. The decrease in segment loss was mainly attributable to the management's efforts in cost control, and the recognition of development management fee income of HK$1,411,000 for the year ended 31 December 2016 (2015: HK$Nil) arising from the provision of development management services to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") and rental income of HK$1,355,000 (2015: HK$89,000) arising from the land in Australia acquired by the Group in February 2015.

In February 2015, the Group acquired a piece of land in Australia (the "Acquisition"). The Acquisition was completed on 10 December 2015. Details of the relevant agreement and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

As at the date of this Annual Report, the Group has not yet obtained the relevant development consents of the land in Australia due to the fact that the local traffic study requested by the Roads and Maritime Services of New South Wales as part of the rezoning process took longer than expected to complete. The Group is taking a more proactive step in advocating the rezoning of the land by actively meeting the Department of Planning and Environment of the state government (the "DPE") and the local councils. Due to a prolonged transitional period of government reform caused by the parallel State and Federal election, amalgamation of Canterbury Council and Bankstown City Council, and the release of the amended draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"), the Group's original revised development plan, prepared for the DPE is still under review, pending the completion of the final Corridor Strategy. To accommodate the change, the Group is now taking a new approach by initially applying for a change of land use purpose only, then followed by application for development approval of the specific project. Well-recognised designers and consultants were engaged to provide professional advice on project design and planning. The final Corridor Strategy is expected to be released within six months from the date of approval for rezoning, and the relevant development consents are expected to be obtained in the next 12 to 18 months.

BUSINESS REVIEW (Continued)

Property Development (Continued)

Development management services to Maxida Australia

On 5 August 2016, the Group entered into a development management agreement with Maxida Australia, pursuant to which Maxida Australia agreed to engage Hailiang Property Group Australia Pty Ltd ("Hailiang Australia"), a direct wholly-owned subsidiary of the Company, to manage the real estate development project in relation to two pieces of land in Australia. Hailiang Australia is entitled to an annual development management fee in the amount of AUD600,000 (equivalent to approximately HK$3,463,000) per each 12 months of engagements. Details of the relevant agreement are set out in the announcement of the Company dated 5 August 2016. The Group recognised the development management fee income of HK$1,411,000, which is recorded under revenue in the consolidated statement of profit or loss and other comprehensive income, for the year ended 31 December 2016.

Subscription of the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") (the "Subscription") at an aggregate subscription price of S$19,287,900 (equivalent to approximately HK$111,727,000). The dealing and quotation of the Jinjiang Shares on the Main Board of The Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the Subscription, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the "Over-allotment Option") is not exercised). The Over-allotment Option was subsequently partially exercised on 1 September 2016, and as a result, as at 31 December 2016, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the partial exercise of the Over-allotment Option). The Subscription constitutes a major transaction of the Company under the Listing Rules. Details of the Subscription are set out in the announcement and the circular of the Company dated 25 July 2016 and 25 October 2016, respectively.

The Jinjiang Shares are recorded as available-for-sale financial assets, and will be measured at fair values at the end of each reporting period. The fair value of the Jinjiang Shares stood at HK$97,740,000 as at 31 December 2016, accounting for approximately 21.8% of the Group's total assets. The unrealised fair value losses on the investment in the Jinjiang Shares were HK$15,819,000 recorded under other comprehensive expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, which were mainly attributable to (i) an approximately 5.6% decrease in the market price of the Jinjiang Shares; and (ii) the exchange loss due to an approximately 7.4% depreciation of Singapore dollars against Hong Kong dollars.

It is the Group's business strategy to select attractive investment opportunities to strengthen and extend its business scope and to maintain prudent and disciplined financial management to ensure its sustainability.

BUSINESS REVIEW (Continued)

Subscription of the Jinjiang Shares (Continued)

The Group is optimistic about the prospects of China Jinjiang, the major business of which includes waste incineration and power generation in which municipal solid waste is burned at high temperature where the heat energy generated during burning is transformed to high temperature steam to initiate the rotation of turbines for power generation, in the PRC. Having considered the financial performance, business development and prospects of China Jinjiang, the Group believes that the Subscription was an attractive investment and will enable the Company to generate sustainable and attractive returns for the Shareholders.

Acquisition of an office unit in Hong Kong

On 16 November 2016, Ample Go Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement to acquire an office unit in Hong Kong at a consideration of HK$26,827,000. The office unit is situated at Office 18, 6th Floor, World-wide House, No. 19 Des Voeux Road Central, Hong Kong and was intended to be used by the Group for office use and is now the Company's head office and principal place of business in Hong Kong. The acquisition was completed on 15 February 2017. Details of the acquisition are set out in the announcement of the Company dated 16 November 2016.

Save as disclosed above, the Group did not make any significant investments or acquisitions during the year ended 31 December 2016.

PROSPECTS

In the long term, the Group will continuously explore property projects opportunities in Sydney, Australia with good development potential to enhance growth prospect of the Group. In the meantime, the Group keeps strengthening its sales and marketing force in relation to metal trading business to achieve further growth and sustainable profitability. For details, please refer to the paragraph "Prospects" under the section headed "Chairman's Statement" in this Annual Report.

KEY RISKS AND UNCERTAINTIES

Risks and uncertainties can affect the Group's businesses, financial conditions, operational results or growth prospects leading to a divergence from expected or historical results. Key risk factors and uncertainties affecting the Group are outlined below. In dealing with these risk factors and uncertainties, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns. Further description in relation to the internal control and risk management of the Group are mentioned in the Corporate Governance Report from pages 32 to 43 of this Annual Report.

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material for the time being but could become material in the future.

KEY RISKS AND UNCERTAINTIES (Continued)

Global and Mainland Economic Environment Risk

As mentioned in the section headed "Business Review", the global economic recovery has been weaker than expected. The economy has slowed down during the industrial transformation and upgrading phrase in the PRC. The prevailing global uncertainty may materially and adversely affect the business of customers or potential customers, or cause a further slowdown in economic activities in the PRC which, in turn, may lead to lower demand for electronic and related products. This may adversely affect the Group's financial position, potential income, asset value and liabilities.

To address uncertainty in global and China economies, the Group pursues prudent and pragmatic strategies in financial management and capital expenditure investment. The Group also strives for efficiency and cost effectiveness in all aspects of its operations to enhance financial performance.

Regulation and Government Policies Risk

The operation in the Australian property market is subject to local regulations and market reforms. The implementation of rezoning plans in Sydney is affecting the Group's development strategy and therefore, its business growth. The Group has established a mechanism to review these factors on a regular basis and proactively engages professional advisers to advise the Group on regulatory issues.

Strategic Direction Risk

Taking into consideration the territories that the Group operates in, the Group faces risk in its application of its assets and capital towards suitable investments and seizure of business and investment opportunities when such opportunities arise. The Group is focusing on assessing the risks arising from diversification, innovation and consolidation, aiming to create value by taking advantage of uncertainty and volatility for maximise gains and improve competitive positions.

Real Estate Market Risk

Given the overall economic situation in Australia, the Group faces the risks of reduction in general real estate market demand as well as retail prices, in addition to the increasing competition from local and international market players. The Group has taken a specific process to evaluate market risks, and decisions are made after structured assessment and evaluation.

Currency Market Risk

The Group's currency exposure mainly arises from the investments in the Jinjiang Shares and Australian property market. Further details in relation to the Group's foreign currency exposure are set out in the paragraph "Foreign Currency Exposures" under the section headed "Financial Review" below.

Reliance on Major Customers and Suppliers Risks

Given the business nature of sale of metals and semiconductors and related products, the Group, at the current stage, faces risks of over-reliance on major customers and suppliers since the Group tends to trade with established business partners to eliminate credit risks and operational risks. Going forward, the Group will diversify its customers and suppliers by exploring new business opportunities to avoid over-reliance risks.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2016, the Group had current assets of HK$323,898,000 (31 December 2015: HK$481,492,000) comprising bank and cash balances of HK$70,369,000 (31 December 2015: HK$208,330,000) (excluding pledged bank deposits for bank guaranteed facility) and net current assets of HK$292,594,000 (31 December 2015: HK$444,857,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$31,304,000 (31 December 2015: HK$36,635,000), maintained at a healthy level of 10.35 times (31 December 2015: 13.14 times) as at 31 December 2016.

As at 31 December 2016, the Group's equity attributable to owners of the Company was HK$409,856,000 (31 December 2015: HK$444,680,000).

The Group's gearing ratio represented its total borrowings (including obligations under finance leases) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2016, the Group had no bank borrowings (31 December 2015: Nil) while had obligations under finance leases amounted to HK$175,000 (31 December 2015: HK$229,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$409,856,000 (31 December 2015: HK$444,680,000). The Group's gearing ratio was therefore at low level of approximately 0.04% (31 December 2015: 0.05%).

Current ratio and gearing ratio are two key financial indicators that the Group focuses on. The Group believes these two measures provide a comprehensive indication of the Group's financial leverage, which have great impact on both the capital structure and stability and performance of the Group.

Capital Structure and Changes in Share Capital

On 30 June 2015, the Company completed an open offer (the "Open Offer") on the basis of one offer share for every two existing shares at the subscription price of HK$0.60 each per share of the Company (the "Shares"). The gross proceeds raised by the Company from the Open Offer amounted to approximately HK$322,222,000 (before deducting transaction costs). As at 31 December 2015, out of the net proceeds from the Open Offer of HK$320,615,000 (after deducting transaction costs), HK$171,517,000 was applied to the Acquisition. During the year ended 31 December 2016, the Group further utilised an amount of HK$113,559,000 (including transaction costs) and HK$15,712,000 (including stamp duty) for the Subscription and the acquisition of an office unit in Hong Kong, respectively. As at 31 December 2016, the remaining of HK$19,827,000 was remained unused and placed with licensed banks in Hong Kong and Australia.

The Group continues to maintain a prudent approach in managing its financial requirements. In the long run, the Group will continue to finance its operations and other future acquisitions, if any, by internal resources and/or external debt and/or equity fund raising.

During the year under review, there was no change in the issued share capital of the Company. As at 31 December 2016, the issued share capital of the Company was HK$16,111,107.67 divided into 1,611,110,767 Shares of HK$0.01 each.

FINANCIAL REVIEW (Continued)

Income Tax

The effective tax rate for the year was 12.5% (2015: 20.7%) with the recognition of deferred tax credit of HK$2,535,000 (2015: HK$4,595,000) on tax losses which are probable to be utilised in the relevant jurisdiction in the foreseeable future.

Foreign Currency Exposures

During the year under review, the monetary assets and liabilities and business transactions of the Group were mainly carried out and conducted in Hong Kong dollars, Renminbi, United States dollars, Australian dollars and Singapore dollars. The Group's exposure to United States dollars is minimal as Hong Kong dollars is pegged to United States dollars, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars and Singapore dollars. Furthermore, as the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to exchange rate fluctuation on translation of Australian dollars, Singapore dollars and Renminbi into Hong Kong dollars. However, the Group anticipates that future currency fluctuations will not cause material operational difficulties or liquidity problems. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the year under review.

The Group will monitor closely on its foreign currency exposure to ensure appropriate measures, such as hedging, are taken promptly when required.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

Pledge of Assets

As at 31 December 2016, bank deposit and motor vehicle with carrying amounts of HK$2,450,000 (31 December 2015: HK$2,483,000) and HK$176,000 (31 December 2015: HK$208,000), respectively, were pledged to the banks to secure the bank guarantee facility and the finance lease facility granted to the Group, respectively.

Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the year ended 31 December 2016 amounted to HK$239,000 (2015: HK$1,027,000).

Capital commitments contracted for but not provided for in the financial statements of the Group as at 31 December 2016 amounted to HK$13,592,000 (31 December 2015: HK$Nil), which is primarily for the purchase of property, plant and equipment. The commitments are to be financed by internal resources of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 149 employees including directors of the Company (the "Directors") (31 December 2015: approximately 123). Total staff costs for the year, including Directors' remuneration, was HK$15,898,000 (2015: HK$15,656,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

The Group made contributions to the Mandatory Provident Fund Scheme for its staff in Hong Kong. The employees of the Company's subsidiaries established in the PRC are members of central pension schemes operated by the local municipal governments. The employees of the Australian subsidiaries of the Company received a superannuation guarantee contribution as required by the Australian government.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The audit committee of the Company (the "Audit Committee") is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant employees and relevant operation units from time to time.

During the year, the Company has complied with the relevant laws and regulations in material aspects that had a significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Other than financial performance, environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection and complies with environmental legislation and promotes awareness towards environmental protection to the employees.

In the course of its daily operations, the Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

ENVIRONMENTAL POLICIES AND PERFORMANCE (Continued)

In the course of the principal activities of the Group, which are the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solutions business, and the property development business in Australia, the Group considers the property development business is the most environmental sensitive. However, as there was no redevelopment and construction conducted during the year, the Group considers the environmental impact was not significant to the Group in 2016. For details, please refer to the Environmental, Social and Governance Report in this Annual Report.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

Relationship and trust are the fundamentals of all businesses. The Group fully recognises this principle and has been maintaining close relationships with its customers to fulfill their immediate and long-term need. Further details in relation to the major customers identified during the year are disclosed in the section headed "Business Review" above.

Meanwhile, the Group promotes fair and open competition that aims to develop long-term relationships with suppliers based on mutual trust. The procurement from suppliers or service provides is conducted in a manner consistent with the highest ethical standards which helps assuring high products quality at all times to gain the confidence of customers, suppliers and the public.

IMPORTANT EVENT AFTER THE END OF THE REPORTING PERIOD

There is no important event affecting the Group which has occurred since the end of the reporting period.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Company as at the date of this Annual Report are set out as follows:

NON-EXECUTIVE DIRECTOR

Mr. Feng Hailiang (**馮海良先生**), aged 56, has been appointed as a Non-executive Director and Chairman of the Board of the Company since 12 May 2014. Mr. Feng is a senior economist in the PRC. Mr. Feng is also the chairman of the board of Hailiang Group. He was the president and chairman of Hailiang Group and was the chairman of Zhe Jiang Hai Liang Co., Ltd.# (浙江海亮股份有限公司) ("Zhe Jiang Hai Liang"), a company listed on the Shenzhen Stock Exchange (Stock Code: 002203). Mr. Feng holds a professional certificate in Economic Management and a postgraduate diploma in Modern and Contemporary Chinese Literature from Zhejiang University. He was honoured "The Fourth National Township Entrepreneur (第四屆全國鄉鎮企業家)", "The Eighth Operating and Management Master of the Operating Management Research Association of Zhejiang Province of China (中國浙江省經營管理研究會第八屆經營管理大師)", "China Business Master in 2002 (2002年度中國經營大師)", "Outstanding China Non-governmental Technology Entrepreneur (中國優秀民營科技企業家)", "Model Worker of Zhejiang Province (浙江省勞動模範)" and "The Sixth National Outstanding Business-Starting Entrepreneur (第六屆全國優秀創業企業家)".

EXECUTIVE DIRECTORS

Mr. Cao Jianguo (**曹建國先生**), aged 54, has been appointed as an Executive Director of the Company since 12 May 2014 and the Chief Executive Officer since 29 August 2014. Mr. Cao is a professorate senior engineer in the PRC. He is also the chairman and president of Hailiang Group. Mr. Cao served as the vice president of Hailiang Group, the chairman of Zhe Jiang Hai Liang and the general manager of Zhe Jiang Hai Liang. Mr. Cao holds a bachelor degree in Metallurgy from the Jiangxi Institute of Metallurgy (江西冶金學院冶金系) (now known as Jiangxi University of Science and Technology (江西理工大學)) and a master degree in Business Administration from Central South University (中南大學). Mr. Cao is the judging panel expert of The State Science Technology Awards (中國國家科學技術獎), a member of the professional committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會專家委員會), the vice chairman of the Third and Fourth National Nonferrous Metals Standardisation Technological Committee (第三屆、四屆全國有色金屬標準化技術委員會) and the chairman of the International Organisation for Standardisation (ISO) of the Copper and Copper Alloy Technical Committee (TC26) (銅及銅合金技術委員會). Mr. Cao is the winner of numerous awards, including "Outstanding Technical Officer of China Nonferrous Metals Industry (中國有色金屬工業優秀技術工作者)" Award, "Model Worker of National Nonferrous Metals Industry (全國有色金屬行業勞動模範)" Award, "Model Worker of Shaoxing City (紹興市勞動模範)" Award, "Senior Expert of Shaoxing City (紹興市高級專家)" Award, "Second-Level Fostered Talent in the Zhejiang Province New Century 151 Talents Project (浙江省"新世紀151人才工程"第二層次培養人員)" Award, "Economic Construction Contributor's Award of Zhuji City for the Year 2006 (2006年度諸暨市經濟建設功臣)", "China Private Enterprises Innovator for the Year 2011 (2011中國民營企業年度創新人物)" Award and "Zhejiang Province's Ten Best Business Managers for the Year 2011 (2011年度浙江省十佳事業經理人)" Award.

EXECUTIVE DIRECTORS (Continued)

Mr. Zhou Diyong (**周迪永先生**), aged 40, has been appointed as an Executive Director of the Company since 12 May 2014. Mr. Zhou is an engineer holding a master degree in Civil Engineering from Zhejiang University. Mr. Zhou is also the president of Hailiang Real Estate Holdings Group Co., Ltd.# (海亮地產控股集團有限公司). Mr. Zhou worked at China Resources (Holdings) Co., Ltd.# (華潤(集團)有限公司) and Ningxia Hailiang Real Estate Development Co., Ltd.# (寧夏海亮房地產有限公司).

Ms. Ji Danyang (**季丹陽女士**), aged 33, has been appointed as an Executive Director of the Company since 12 May 2014. Ms. Ji holds a master degree in Software Engineering from the University of Electronic Science and Technology of China# (電子科技大學). Ms. Ji is also the vice president of Hailiang Group. Ms. Ji served several positions in Zhejiang Fengshen Automotive Sales Co., Ltd.# (浙江風神汽車銷售有限公司), including serving as its cashier, sales consultant and sales manager. She acted as the vice general manager of Zhejiang Huaneng Automotives Sales Co.# (浙江華能汽車銷售公司), the manager of the Finance and Treasury Department of Jinhengde Group Co., Ltd.# (金恒德集團有限公司) and the director of the Finance and Treasury Department and the assistant to the president of Hailiang Group.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chang Tat Joel, aged 49, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. He has considerable strategic, financial and advisory experiences. He is currently a non-executive director of AID Partners Technology Holdings Limited (formerly known as AID Partners Capital Holdings Limited), a company listed on the Stock Exchange (Stock Code: 8088) and an executive director of Masion Financial Holdings Limited (Stock Code: 273), a company listed on the Stock Exchange. He is also a founder of Genius Link Assets Management Limited, a diversified investment company with focuses in property, media and entertainment, and food and agricultural. He serves as an independent non-executive director and various positions in several companies listed on the Stock Exchange. He is an independent non-executive director of Dragonite International Limited (Stock Code: 329). He was formerly a non-executive director of Kong Sun Holdings Limited (Stock Code: 295), an independent non-executive director of Kingsoft Corporation Limited (Stock Code: 3888) and an executive director and chief financial officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Stock Code: 1132). He is an independent director of China Mobile Games and Entertainment Group Limited, a company which was delisted from the NASDAQ stock market on 10 August 2015. Prior to the establishment of AID Partners Capital Limited, he was the chief investment officer of Investec Asia Limited, a managing director of China Everbright Capital Limited and an executive director of BNP Prime Peregrine Capital Limited. He is also a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in Economics from Monash University in 1990.

INDEPENDENT NON-EXECUTIVE DIRECTOR (Continued)

Mr. Ho Gilbert Chi Hang, aged 40, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. He is the managing partner of AID Partners Capital Limited and is the executive director and Chief Executive Officer of AID Partners Technology Holdings Limited (formerly known as AID Partners Capital Holdings Limited) (Stock Code: 8088), a company listed on the Stock Exchange. He is also an executive director of HMV Digital China Group Limited (Stock Code: 8078), a company listed on the Stock exchange. Prior to joining AID Partners Capital Limited, he was the vice president of ITC Corporation Limited (Stock Code: 372), a company listed on the Stock Exchange, the senior investment director of New World Development Company Limited (Stock Code: 17), a company listed on the Stock Exchange, an executive director of New World Strategic Investment Limited, and a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP. He is a committee member of the Chinese People's Political Consultative Conference of Shenyang, Liaoning Province (中國人民政治協商會議遼寧省瀋陽市委員會), a Standing Committee Member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會). Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia.

Mr. Ho was a non-executive director of Renhe Commercial Holdings Company Limited (Stock Code: 1387), a non-executive director of Capital Environment Holdings Limited (Stock Code: 3989), an independent non-executive director of Infinity Development Holdings Company Limited (Stock Code: 640), and is an independent non-executive director of Asia Allied Infrastructure Holdings Company Limited (Stock Code: 711) and Kam Hing International Holdings Limited (Stock Code: 2307), all of the above-mentioned companies are listed on the Stock Exchange.

Mr. Tsui Kun Lam Ivan, aged 61, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. He has over 30 years of extensive experience in the area of business development, corporate management and securities trading. Mr. Tsui has been the director and responsible officer of Austen Capital Management Limited ("Austen Capital") since 31 March 2016. Prior to joining Austen Capital, Mr. Tsui was a responsible officer of AID Partners Asset Management Limited (formerly known as Shikumen Capital Management (HK) Limited) from 1 March 2014 to 15 March 2015 and was formerly a responsible officer of HPI Asset Management Limited, director of De Tiger Capital Limited, managing director of South China Finance and Management Limited, director of Quam Securities Company Limited, managing director of OSK Holdings Hong Kong Limited, and director of business development of BNP Paribas Asset Management Asia Limited. Mr. Tsui holds a master degree in Business Administration from the University of South Australia, Adelaide, Australia.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Company Secretary

Ms. Chan Yuk Yee, aged 49, joined the Company as the Company Secretary in February 2012. She holds a Master of Business Law degree from the Monash University in Australia and is an associate member of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has extensive experience in company secretarial practice. Ms. Chan is an executive director and the company secretary of Birmingham International Holdings Limited (Stock Code: 2309) and EPI (Holdings) Limited (Stock Code: 689), the company secretary of Enviro Energy International Holdings Limited (Stock Code: 1102) and ITC Corporation Limited (Stock Code: 372) and an executive director of Courage Marine Group Limited ("Courage Marine") (Stock Code: 1145). All of the above companies are listed on the Stock Exchange with Courage Marine also secondarily listed on the Singapore Exchange Securities Trading Limited.

literal translation of the Chinese company name

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solutions business, and the property development business. Details of the principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"), including a fair review of the business, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" sections of this Annual Report. These sections form part of this report of the Directors.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 112. This summary does not form part of the consolidated financial statements.

PROPERTIES

Particulars of the major properties and property interests of the Group are set out on page 111.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Scheme is to enable the Group to attract, retain and motivate talented Participants (as defined below) to strive for future development and expansion of the Group. The Scheme shall be an incentive to encourage Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options granted and accepted pursuant thereto prior to the expiration of the ten-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Scheme.

The Board may grant (subject to acceptance in accordance with the terms of the Scheme) an option to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) (the "Participant") who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors, subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by the Company or the Directors of any applicable laws and regulations or in any filing or other requirements arising.

The subscription price for the Shares on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options is made to (subject to acceptance by) the Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

SHARE OPTION SCHEME (Continued)

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the Shares in issue from time to time. Options lapsed or cancelled in accordance with the terms of the Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the 30% limit. In addition, the total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company, must not represent more than 10% of the total number of the Shares in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme or any other share option scheme(s) of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the Shareholders' approval with such Participant and his/her associates abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the Shareholders' approval of the grant of such options.

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Participant for a period of thirty (30) days from the date of grant (the "Acceptance Period").

An option shall be deemed to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company within the Acceptance Period.

An option shall be personal to the grantee and shall not be assignable and no grantee shall in anyway sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant grantee's outstanding options in whole or in part.

No performance target needs to be achieved by the grantee before the options can be exercised, unless otherwise determined by the Board.

SHARE OPTION SCHEME (Continued)

An option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an option was granted, at any time during the option period after the option has been granted by the Board but in any event, not longer than ten (10) years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

As at the date of this Annual Report, no share options had been granted under the Scheme by the Company. Additional information in relation to the Scheme is set out in note 29 to the consolidated financial statements.

As at the date of this Annual Report, the total number of Shares available for issue under the Scheme was 106,971,700, representing approximately 6.64% of the issued Shares as at the date of this Annual Report.

Other than the Scheme, no equity-linked agreements were entered into by the Company during the year or subsisting at the end of the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

The Company's total distributable reserves as at 31 December 2016 amounted to HK$436,560,000 (2015: HK$432,456,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 75.3% of the total sales for the year and sales to the largest customer accounted for approximately 27.1%. Purchases from the Group's five largest suppliers accounted for approximately 78.1% of the total purchases for the year and purchases from the largest supplier accounted for approximately 28.9%.

To the best knowledge of the Company, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued Shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors during the year and up to the date of this Annual Report were:

Non-executive Director:

Mr. Feng Hailiang (馮海良先生) *(Chairman)*

Executive Directors:

Mr. Cao Jianguo (曹建國先生) *(Chief Executive Officer)*
Mr. Zhou Diyong (周迪永先生)
Ms. Ji Danyang (季丹陽女士)

Independent Non-executive Directors:

Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan

In accordance with Article 87 of the Articles of Association, Mr. Feng Hailiang (馮海良先生), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士) will retire by rotation at the forthcoming annual general meeting (the "AGM"). Each of Mr. Feng Hailiang (馮海良先生), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士) will not offer himself/herself for re-election due to his/her other commitment.

Biographical details of the Directors are set out on pages 15 to 17 of this Annual Report.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Upon specific enquiry by the Company and based on the confirmations from the Directors, save as disclosed below, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Company's last published interim report:

(i) Mr. Cao Jianguo (曹建國先生) has ceased as the chairman of Zhe Jiang Hai Jiang since 25 August 2016.

(ii) Mr. Ho Gilbert Chi Hang was appointed as an executive director of HMV Digital China Group Limited, a company listed on the Stock Exchange (Stock Code: 8078), with effect from 7 October 2016 and an independent non-executive director of Asia Allied Infrastructure Holdings Limited, a company listed on the Stock exchange (Stock Code: 711) with effect from 20 January 2017.

(iii) Mr. Chang Tat Joel resigned as a non-executive director of Kong Sun Holdings Limited, a company listed on the Stock Exchange (Stock Code: 295) with effect from 24 January 2017.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout this year.

Pursuant to Article 167(1) of the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which might incur in connection with the execution of their duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty of the above persons. The Company has arranged Directors' and officers' liability insurance policy of the Company during the year.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder of the Company or any of its subsidiaries during the year under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2016, the interests of the Directors in the businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士), the Directors of the Company, held directorship and/or interest in companies of Hailiang Group which were engaged in copper and nickel trading business ("Metal Trading Business") in the PRC. Therefore, Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士) are considered to have interest in business which compete or are likely to compete, either directly or indirectly, with the Metal Trading Business of the Group pursuant to the Listing Rules.

The Board considered that the Metal Trading Business of Hailiang Group do not pose material competitive threat to the Group due to the following reasons:

1. given the well-established international metal market, information about production, consumption, stocks, trades as well as prices of raw metal materials, such as copper and nickel, are generally available in the public, and the trading of copper and nickel is considered as fairly transparent and direct in the market; and

2. copper and nickel products across the value chain are traded internationally, and their prices vary largely accordingly to the different markets that they are transacted. Therefore, the settling prices are decided between the seller and buyer (including terminal markets like London Metal Exchange through offer and bid process) by their perception of supply and demand at a particular time on a particular day. Market participants normally complete a transaction by taking advantage of the price fluctuations during a short period of time.

The Board is independent from the board of directors of Hailiang Group. Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of the Company and avoids any conflicts between his/her duties as a Director and his/her personal interest.

Save as disclosed above, none of the Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Metal Trading Business and/or other business of the Group for the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the entire or primary business of the Company has been entered into or existed during the year ended 31 December 2016.

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

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares:

Name of Director	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生) ("Mr. Feng")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%

Note: These Shares were held by Rich Pro Investments Limited ("Rich Pro"), which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and the close associates (as defined in the Listing Rules) of Mr. Feng (including Shanghai Weize Investment Holdings Limited# (上海維澤投資控股有限公司) ("Shanghai Weize") which owned 40.26% equity interest in Hailiang Group) ("Mr. Feng's Associates"). Accordingly, Mr. Feng was deemed to be interested in 1,207,207,299 Shares under the SFO.

\# *literal translation of the Chinese company name*

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their respective spouses or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a Director or an entity connected with a Director has or had a material interest, either directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Shanghai Weize	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Hailiang Group	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%
Rich Pro	Beneficial owner	1,207,207,299 *(Note)*	74.93%

Note: These Shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and Mr. Feng's Associates. Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 1,207,207,299 Shares under the SFO.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

The interests of Mr. Feng, Shanghai Weize, Hailiang Group and Rich Pro in 1,207,207,299 Shares referred to in the note above related to the same parcel of Shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2016 as required pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

As disclosed in the announcement of the Company dated 30 June 2011, Foshan Lianchuang Hualian Electronics Company Limited# (佛山聯創華聯電子有限公司) ("Foshan Lianchuang Hualian") (which is 50.21% indirectly owned by the Company) entered into a supply contract (the "Supply Contract") with Xiamen Hualian Electronics Company Limited# (廈門華聯電子有限公司) ("Xiamen Hualian") (which owns 45.64% equity interest in Foshan Lianchuang Hualian), pursuant to which Foshan Lianchuang Hualian agreed to purchase and Xiamen Hualian agreed to supply raw materials for the production of microcontrollers for a term commencing from 24 June 2011 up to 31 December 2013 with an annual cap of RMB5,000,000 (approximately HK$6,000,000) for each of the three financial years ending 31 December 2013.

As disclosed in the announcement of the Company dated 31 December 2013, a supplemental agreement was entered into on 31 December 2013 between Foshan Lianchuang Hualian and Xiamen Hualian for the renewal of the Supply Contract for a term of three years commencing from 1 January 2014 to 31 December 2016 (both dates inclusive) with an annual cap of RMB2,500,000 (approximately HK$3,150,000) for each of the three financial years ending 31 December 2016 and with all the other terms and conditions of the Supply Contract remain unchanged. The Group did not renew the Supply Contract upon its expiry on 31 December 2016.

As Xiamen Hualian is a substantial shareholder of Foshan Lianchuang Hualian, Xiamen Hualian is a connected person of the Company according to the Listing Rules. Total purchases of raw materials from Xiamen Hualian for the year ended 31 December 2016 amounted to RMB15,000 (equivalent to approximately HK$18,000).

CONTINUING CONNECTED TRANSACTIONS (Continued)

These transactions have been reviewed by the Independent Non-executive Directors, who are satisfied that the above transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported its conclusions to the Board that:

(i) nothing has come to auditor's attention that causes them to believe that the above continuing connected transactions have not been approved by the Board;

(ii) nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to auditor's attention that causes them to believe that the transactions have exceeded the maximum aggregate annual value as disclosed in the Company's announcement dated 31 December 2013.

The related party transactions are set out in note 34 to the consolidated financial statements. Apart from the continuing connected transactions disclosed above, all the other related party transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. However, these transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

literal translation of the Chinese company name

EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonuses. The Group also provided and subsidised training programmes to the Directors and eligible employees during the year to enhance staff quality and technical knowledge.

The emoluments of the Directors were determined after taking into consideration of their respective responsibilities and contribution to the Company and with reference to market conditions.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this Annual Report as required by the Listing Rules.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 have been audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA").

A resolution will be proposed at the AGM to re-appoint ZHONGHUI ANDA as the auditor of the Company for the year ending 31 December 2017.

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 32 to 43 under the section headed "Corporate Governance Report" of this Annual Report.

On behalf of the Board

Feng Hailiang 馮海良
Chairman

Hong Kong, 17 March 2017

Corporate Governance Report

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its Shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the applicable provisions (the "Code Provisions") of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016, except for the following deviations with the reasons as explained below:

Code Provision A.1.1

Code Provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two regular Board meetings were held. Individual attendance records for full Board meetings of the Company are set out on page 34 of this Annual Report. Although the Board meetings held during the year were not convened on a quarterly basis, the Board considered that sufficient meetings had been held within appropriate intervals during the year ended 31 December 2016 in which the Directors actively participated in considering the business operations and corporate actions of the Group. In addition, the Board has established the Audit Committee, a remuneration committee (the "Remuneration Committee") and a nomination committee (the "Nomination Committee") to oversee particular aspects of the Company's affairs.

Code Provision A.2.7

Code Provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for the Non-executive Directors to voice their views by individual communication with the Chairman of the Board.

Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Feng Hailiang (馮海良先生), the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 June 2016 due to other engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

Relevant employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for the leadership and to monitor the business activities and the performance of the management of the Company and to maximise the interests of the Company and the Shareholders. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, dividend policies, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

As at the date of this Annual Report, the Board comprises seven Directors. Out of the seven Directors, one of which is a Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) (Chairman), three of which are Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chief Executive Officer), Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士) and the other three are Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.

To the best knowledge of the Board, there is no relationship, including financial, business, family or other material/relevant relationships, among the members of the Board.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

Mr. Feng Hailiang (馮海良先生) is currently the chairman of the board of Hailiang Group, a company incorporated in the PRC and is the holding company of Rich Pro, which is the controlling shareholder (as defined in the Listing Rules) of the Company.

Directors' Training

The Company provides a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

BOARD OF DIRECTORS (Continued)

Directors' Training (Continued)

All Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including briefing on amendments to the Listing Rules and news releases published by the Stock Exchange to the Directors. During the year ended 31 December 2016, the Company organised one training session for the Directors which was conducted by the external legal adviser of the Company. In addition, the Directors are provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices. During the year ended 31 December 2016, all the Directors, namely Mr. Feng Hailiang (馮海良先生), Mr. Cao Jianguo (曹建國先生), Mr. Zhou Diyong (周迪永先生), Ms. Ji Danyang (季丹陽女士), Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan have complied with Code Provision A.6.5 and have provided the Company with their respective training records pursuant to the CG Code.

Attendance Records of Board meetings and general meeting

The Company held two Board meetings and one general meeting during the financial year ended 31 December 2016. Directors attended these meetings either in person or through electronic means of communication. Attendance records of the Board meetings and general meetings during the year are set out below:

	Attendance/Number of Meetings	
Name of Directors	**Board Meetings**	**Annual General Meeting of the Company held on 17 June 2016**
Non-executive Director		
Mr. Feng Hailiang (馮海良先生) *(Chairman)*	0/2	0/1
Executive Directors		
Mr. Cao Jianguo (曹建國先生) *(Chief Executive Officer)*	2/2	1/1
Mr. Zhou Diyong (周迪永先生)	2/2	0/1
Ms. Ji Danyang (季丹陽女士)	2/2	0/1
Independent Non-executive Directors		
Mr. Chang Tat Joel	2/2	1/1
Mr. Ho Gilbert Chi Hang	2/2	0/1
Mr. Tsui Kun Lam Ivan	2/2	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer. The Chairman is responsible for overseeing all Board functions, while the Executive Directors and senior management are under the leadership of the Chief Executive Officer to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Mr. Feng Hailiang (馮海良先生) and the position of the Chief Executive Officer is currently held by Mr. Cao Jianguo (曹建國先生).

NON-EXECUTIVE DIRECTORS

There are currently four Non-executive Directors of which three are Independent Non-executive Directors. Under the Articles of Association and the CG Code, every Director including the Non-executive Directors, shall be subject to retirement by rotation at least once every three years. Each of them is appointed for a term of three-year period unless terminated by either party in writing prior to the expiry of the term.

For the year ended 31 December 2016, the Board at all times met the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Independent Non-executive Directors represent at least one-third of the Board.

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. As at the date of this Annual Report, the Remuneration Committee comprises five members, including three Independent Non-executive Directors, namely Mr. Ho Gilbert Chi Hang (Chairman), Mr. Chang Tat Joel and Mr. Tsui Kun Lam Ivan, and two Executive Directors, namely Mr. Zhou Diyong (周迪永先生) and Ms. Ji Danyang (季丹陽女士).

REMUNERATION COMMITTEE (Continued)

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, determining the remuneration packages of individual Executive Directors and senior management, assessing performance of Executive Directors, making recommendations to the Board on the remuneration of Non-executive Directors, considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions in members of the Group and reviewing compensation payable to Executive Directors and senior management for any loss or termination of office. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met once during the year ended 31 December 2016 to review the remuneration of the Directors. The attendance of each member was set out as follows:

Name of Members	Attendance/ Number of Meeting
Mr. Ho Gilbert Chi Hang *(Chairman of the Remuneration Committee)*	1/1
Mr. Zhou Diyong (周迪永先生)	1/1
Ms. Ji Danyang (季丹陽女士)	1/1
Mr. Chang Tat Joel	1/1
Mr. Tsui Kun Lam Ivan	1/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. As at the date of this Annual Report, the Nomination Committee comprises five members, including three Independent Non-executive Directors, namely Mr. Tsui Kun Lam Ivan (Chairman), Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang, one Non-executive Director, namely Mr. Feng Hailiang (馮海良先生) and one Executive Director, namely Mr. Cao Jianguo (曹建國先生).

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of Independent Non-executive Directors and the management of Board succession, and reviewing the policy concerning diversity of Board members. The full terms of reference are available on the Company's website and the Stock Exchange's website.

NOMINATION COMMITTEE (Continued)

The Nomination Committee met once during the year ended 31 December 2016 to review the structure, size and composition of the Board, assess the independence of the Independent Non-executive Directors, review and make recommendations to the Board on the re-election of Directors. The attendance of each member was set out as follows:

Name of Members	Attendance/ Number of Meeting
Mr. Tsui Kun Lam Ivan *(Chairman of the Nomination Committee)*	1/1
Mr. Feng Hailiang (馮海良先生)	0/1
Mr. Cao Jianguo (曹建國先生)	1/1
Mr. Chang Tat Joel	1/1
Mr. Ho Gilbert Chi Hang	1/1

The Board has adopted a Board diversity policy (the "Policy") in accordance with the requirements of the Listing Rules with effect from 1 September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board on 11 November 2015. As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chang Tat Joel (Chairman), Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan.

The Audit Committee is mainly responsible for assisting the Board in reviewing and applying financial reporting, risk management and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

AUDIT COMMITTEE (Continued)

The Audit Committee met twice during the year ended 31 December 2016 and the attendance of each member was set out as follows:

Name of Members	Attendance/ Number of Meetings
Mr. Chang Tat Joel *(Chairman of the Audit Committee)*	2/2
Mr. Ho Gilbert Chi Hang	2/2
Mr. Tsui Kun Lam Ivan	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 31 December 2015 and recommended to the Board for approval;

2. reviewed the corporate governance compliance with the CG Code and the disclosure requirements for the corporate governance report;

3. reviewed and considered the terms of the continuing connected transactions;

4. reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 June 2016 and recommended to the Board for approval;

5. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

6. reviewed the effectiveness of the risk management and internal control systems of the Group;

7. reviewed and approved the remuneration and the terms of engagement of the Company's auditor and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor; and

8. reviewed the effectiveness of the Company's internal audit function.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and statutory requirements and applicable accounting standards.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2016. As at 31 December 2016, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices of the Company on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company; (iii) reviewing and monitoring policies and practices of the Company on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to the Directors and employees of the Company; and (v) reviewing the Company's compliance with the CG Code and disclosure requirements for the corporate governance report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The external auditor is ZHONGHUI ANDA. ZHONGHUI ANDA has confirmed that, other than the services performed by ZHONGHUI ANDA as disclosed in this section, they are independent to the Company and that there is no relationship between ZHONGHUI ANDA and the Company which may reasonably be thought to bear on their independence. The statement of ZHONGHUI ANDA about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2016 is set out in the "Independent Auditor's Report" on pages 51 to 54 of this Annual Report.

For the year ended 31 December 2016, remuneration payable to ZHONGHUI ANDA, for the provision of its audit services was HK$600,000. During the year, HK$250,000 was paid as remuneration to ZHONGHUI ANDA for the provision of non-audit services including review services on the interim report for the six months ended 30 June 2016 and services in relation to the circular of the Company in respect of the Subscription.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibilities for maintaining an adequate systems of risk management and internal control to safeguard the Group's assets and information and Shareholders' interests. Set out below are the control environment, risks assessment, control activities and information and communication aspects of the risk management and internal control systems of the Group:

Control environment

– the Board demonstrates its commitment to integrity and ethical values, as well as independence from management and exercises oversight of development and performance of internal control
– the management establishes, with Board oversight, structured reporting lines and appropriate authorities and responsibilities in the pursuit of objectives
– each individual holds accountability for his internal control responsibility in the pursuit of objectives

Risks assessment

– specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
– identifies risks to the achievement of its objectives across the entity and analyses risks as a basis for determining how the risks should be managed
– considers the potential for fraud in assessing risks to the achievement of objectives
– identifies and assesses changes that could significantly impact the system of internal control

Control activities

– selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
– selects and develops general control activities over technology to support the achievement of objectives
– deploys control activities through policies that establish what is expected and procedures that put policies into action

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Information and communication

- obtains or generates and uses relevant, quality information to support the functioning of internal control
- internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- communicates with external parties regarding matters affecting the functioning of internal control

The risk management and internal control systems, including a defined management structure with limits of authority, are designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The establishment of risk management and internal control systems is to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Company has engaged external consultants to perform a review of the internal control and risk management systems of the Group. With the assistance of the external consultants, a risk register with risk rating and risk owners was compiled for continuous risk assessment purpose. Risk owners are required to take mitigating and remedial measures to address the identified risks and such actions and measures are integrated in the day-to-day activities of the Group and their effectiveness is closed monitored. The risk register has been tabled for discussion and assessed the ratings by key executives, by considering the likelihood and impact on each identified risks. A written risk assessment report with the identified key risks, risk evaluation results and relevant mitigating actions and remedial measures have been reported to the Audit Committee and reviewed by the Board. The risk assessment report facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing risk monitoring and related mitigating and remedial internal control measures. The internal control and risk management systems are reviewed by the Board on an ongoing basis in order to make it practical and effective in providing reasonable assurance in relation to the identification of business risks.

The Audit Committee assists the Board in the review, which covers operational, financial and compliance controls and risk management functions, to maintain an adequate and effective internal control system to safeguard the interests of the Shareholders and the assets of the Group. For the year ended 31 December 2016, the Board conducted an annual review of the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultants to the Audit Committee covering the above aspects. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and budget during the year under review. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers the existing internal control system and risk management systems effective and adequate. The Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control since 1 January 2016.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exists to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

COMPANY SECRETARY

Ms. Chan Yuk Yee was appointed as the Company Secretary of the Company on 23 February 2012. The biographical details of Ms. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on page 18 of this Annual Report. Ms. Chan has taken no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules during the financial year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

According to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong or the Company's branch share registrar in Hong Kong, Tricor Standard Limited, during a period commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting provided that such period shall be at least seven days.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Office 18, 6th Floor, World-wide House, No. 19 Des Voeux Road Central, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hailianghk.com.

During the year ended 31 December 2016, there was no change in the Company's constitutional documents.

Environmental, Social and Governance Report

PRINCIPLES

The Group persistently strives to operate its business in an economic, social and environmentally sustainable manner. With "People-oriented, Integrity and Mutual Benefit" as its core value and the building of a society with harmonious ecological civilisation as its mission, the Company respects the talents and creativity, focuses on enhancing the social and human care on the products and also the responsibility for integrity, honesty and bringing industrial matrix and navigating forward.

This year, the Company is pleased to present its first Environmental, Social and Governance Report, which aims to demonstrate its efforts on sustainability developments to both internal and external stakeholders.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. The report primarily highlights the Group's major initiatives and activities implemented from 1 January 2016 to 31 December 2016. For information regarding the governance section, please refer to the Corporate Governance Report in this Annual Report.

The Company is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and their business is managed prudently under sound decision-making processes. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Company seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. The Board of directors is responsible for evaluating and determining the environmental, social and governance risks of the Group, and ensuring that relevant risk management and internal control systems are in place and operate effectively.

Foshan Lianchuang Hualian is principally engaged in development and provision of electronic turnkey device solutions. As a start, for the environmental aspects, this report will focus on Foshan Lianchuang Hualian which is the material business segment related to the environmental aspects. This report has primarily highlighted the major performance and disclosure implemented from 1 January 2016 to 31 December 2016 for the three environmental aspects and the eight social aspects. As the Group has not yet obtained the relevant development consents of the land in Australia for the property development segment, the Company will perform an assessment on the environmental aspects when the property development business commences. This report will cover the social aspects of all of the Group's business segments.

Emissions

Environmental protection is one of the core values of the Group. The Group has proactively looked for and implemented new technology at various stages of production in order to minimise its impact on the environment. Over the years, the Group has introduced energy-efficient equipment and streamlined operation processes to reduce fuel, electricity and water consumption, enhanced the efficiency of utilising resources and explored new areas for environmental conservation.

For environmental protection and treatment of waste, the Group has implemented procedures for treatment of waste, and conducted environmental inspections regularly, to ensure emission restrictions and requirements have been fulfilled.

The Group is concerned with the environmental issue for its daily operation. The Group devotes its full efforts on controlling emission and minimising pollution. The Group strictly complied with the industry regulations including but not limited to the Restriction of Hazardous Substances (the "RoHS") and registration of chemicals. In addition, the Group entered into environmental protection agreements with its suppliers.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the reporting period.

No significant fines or non-monetary sanctions for non-compliance had been incurred during the reporting period.

Use of Resources

The Group implements policies for the use of resources in order to restrict the use of resources during its business operation and promote resources saving and emission. Such policies cover areas including but not limited to (i) the usage of paper and stationary/consumable in its operations, the use of recycle paper for draft documents or photocopying, and the reduction of the usage of paper; (ii) the usage of water and electricity, the control of water usage for each department of the Group, the reduction of the usage of water; (iii) the conservation of water during the cleaning of floor, facilities and vessels and cleaners should strictly control the usage of water and the frequency of cleaning, to avoid waste of water; (iv) the use of all of the electrical appliances and devices such as air conditioners, fans and computer, and the employees are required to switch off the electrical appliances and devices when these electrical appliances and devices are not in use; (v) the selection of devices which are with relatively higher efficiency of energy saving, if other features of the devices are the same; (vi) the use of electricity during production process. Staff should ensure all of the electrical devices are operating properly; (vii) the use of recyclable raw materials or supplementary materials in the Group's production process; (viii) the consumption control during the production process, to reduce the cost of manufacturing; and (ix) the treatment on the scrap and remaining material of manufacturing under the waste control procedure.

Environmental, Social and Governance Report

The Environment and Natural Resources

The segment of development and provision of electronic turnkey device solutions of the Group is closely related to environmental protection and the usage of natural resources. The Group has established a series of policies, mechanisms and measures on environmental protection and natural resources conservation to ensure the sustainable development and operation of the Group. The Group strives to enhance its efficiency in the usage of energy, water and materials and also complies with relevant local environmental regulations and international general practices, with an aim to reduce the use of natural resources and protect the environment. The actions taken are aligned with international standards. These include greenhouse gas emission inspections, reduction and classification, recycling of wastes, and consultations on energy conservation and carbon reduction in factories with high energy consumption levels.

Employment

The Group is committed to provide a working environment which is free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation. The Group provides equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment.

The Group seeks to attract and retain talented employees through providing a work environment that promotes values such as fair compensation package, respect and integrity. Compensation packages are competitive, and the promotion and rewards of employees are based on the performance and experience of the employees and the prevailing market conditions. The Group implements the "Human Resources Management Procedures" (人力資源管理程序) to maximise the development and effectiveness of human resources management in order to achieve the goals of the Group and guarantee substainability of the Group's business development.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the reporting period.

No non-compliance with law that resulted in significant fines or sanctions identified during the reporting period.

Health and Safety

The Group applies "Environmental and Safety Management Procedures" (環境與安全管理程序) to maintain preferable working environment, guaranteed the quality of products, safety of manufacturing and prevention of incidents. The Group sets a series of safety standards and internal control policies to ensure all staff strictly follow the safety regulations.

The Group applies "Preparation and Reaction for Emergency Procedures" (應急準備與回應程序) to prevent potential incidents and emergency accidents. If any incidents or accidents happened, the relevant department could promptly deal with the incidents or accidents in accordance with the Group's policies and procedures so as to minimise the impact on the health and safety.

The Group complies with the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" by execution of health and safety policies in order to comply with National laws, regulations and standards of prevention and treatment of occupational diseases. As a result, the Group can effectively protect the health and safety of workers during their work and achieve the Group's goal and promote the economic development of the Group.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the reporting period.

Development and Training

The Group places strong emphasis on career development of its employees and provides them with extensive trainings. Comprehensive and structured programmes are organised for new employees to familiarise themselves with the industry that the Group operates.

The Group applies "Training Management Procedures" (培訓管理程序) to standardise the training management work, enhance the quality of its staff, ensure the quality of business and prevention of pollution effectively. The Group has established a set of training framework and manual for recruitment training, technical training and quality training. In addition, ongoing training programmes are offered to existing employees from front line staff to top management (including executive Directors) for the purpose of refreshing and developing their knowledge and skills.

Labour Standards

The Group fully understands that exploitation of child and forced labour is universally condemned, and therefore takes the responsibilities against child and forced labour very seriously. The Group strictly complies with all laws and regulations against child and forced labour. Internal policies are also in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it will report to the relevant authorities.

The Group places a significant emphasis on developing human capital and provides competitive remuneration and welfare packages. Promotion opportunities and salary adjustments are benchmarked against individual performance. Employees are entitled to various fringe benefits, such as annual leave, marriage leave, compassionate leave, and medical coverage, in accordance with local regulations. With the well-established benefit systems and support made to its staff, the Group strives to retain talents and envision the development of its people.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to preventing child or forced labour during the reporting period.

Supply Chain Management

The Group has the greatest respect for the laws and regulations that govern its business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers.

The Group adheres to the principle of transparency and implements the value of honesty, integrity and fairness in its supply chain management. The Group's procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. During the selection process of suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing, market share assessment, under the ISO 9001 or the ISO 14001 to build up the RoHS. The Group expects its major suppliers to observe the same environmental, social, health and safety, and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

The Group fully understands the importance of environmental protection and environmental friendly production. The Group takes up social responsibilities and cooperates with its stakeholders including suppliers and customers to make contributions to the conservation of the environment. The Group implements stringent controls on all manufacturing procedures covering product design, purchases of raw materials, production and deliveries. The Group applies "RoHS Supplier Procurement Guideline" (供應商RoHS採購準則) to ensure the Group fulfill the worldwide regulations and customers requisition, satisfy Foshan Lianchuang Hualian's requirement for quality and environmental aspect.

Product Responsibility

The Group takes the quality of its products seriously. Therefore, it applies "Unqualified Management Procedures" (不合格管理程序) to enhance the quality control of its products and sales management, and ensure providing the best quality products to its customers.

The Group places a high priority to ensure customer satisfaction in terms of its products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which the Group operates. The Group requires its people to comply with the applicable governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group sets up internal committees which meet regularly and include representatives from various business units and customers. Policies about product quality and safety and compliance with laws and regulations are published on the Group's intranet and are clearly communicated to its employees. In addition, the Group runs training sessions for its relevant staff members, third-party suppliers and business partners in respect of product responsibilities. Orientation training is conducted for new employees, while refreshment training is provided for all employees on a regular basis.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the reporting period.

No significant fines were incurred during the reporting period.

Anti-corruption

The Group takes anti-corruption responsibilities very seriously. The Group's anti-corruption policies set out the standards of conduct to which all employees are required to adhere to. The Group has designated hotlines and emails for relevant stakeholders to report, in confidence, any illegal or fraudulent behaviours to the Board. Employees making such reports are assured of protection. The designated hotlines and emails are available on the Company's website at http://www.hailianghk.com. The Group has also established a regularly review on its business practices and anti-corruption measures and guidelines, as well as reported improprieties investigation.

Sound organisational structures and policies are in place in the Group to uphold a high standard of corporate governance and maintain an ethical corporate culture.

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with relevant laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

There is no legal case concerning corruption brought against the Group or its employees during the reporting period.

Community Investment

The Group adheres to the belief of "taking from society, and giving back to society". Apart from maintaining sound business development, the Group also actively demonstrates its corporate core value of service. With its commitments to community care and participation, the Group has continuously engaged in a variety of educational, cultural and social welfare activities.

The Group encourages employees to take part in work-life balance activities and community services. These include various cultural events, employee outings, community volunteering and supporting charitable organisations.

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF
HAILIANG INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hailiang International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 110, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INVENTORIES

Refer to note 21 to the consolidated financial statements

The Group assessed the carrying value of inventories with reference to the inventory ageing report and management experience and judgement. This assessment is significant to our audit because the balance of inventories of approximately HK$22,670,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's assessment involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on ordering and holding of inventories;
– Evaluating the Group's assessment on the carrying value of inventories;
– Assessing the marketability of the inventories;
– Assessing the ageing of the inventories;
– Assessing the net realisable values of the inventories; and
– Checking subsequent sales and usage of the inventories.

We consider that the Group's assessment on the carrying value of inventories is supported by the available evidence.

TRADE AND BILL RECEIVABLES

Refer to note 23(a) to the consolidated financial statements

The Group tested the amount of trade and bill receivables for impairment. This impairment test is significant to our audit because the balance of trade and bill receivables of approximately HK$16,429,000 as at 31 December 2016 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers;
– Assessing the Group's relationship and transaction history with the customers;
– Evaluating the Group's impairment assessment;
– Assessing ageing of the debts;
– Checking subsequent settlements from the customers;
– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bill receivables is supported by the available evidence.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084

Hong Kong, 17 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6 & 9	**200,080**	142,562
Cost of sales		**(194,645)**	(139,722)
Gross profit		**5,435**	2,840
Other income	7	**1,740**	657
Other net loss	7	**(1,415)**	(1,382)
Selling and distribution expenses		**(920)**	(1,022)
Administrative expenses		**(22,050)**	(22,552)
Impairment loss on trade receivables	23(a)	**(2,993)**	(739)
Loss from operations		**(20,203)**	(22,198)
Finance costs	8	**(10)**	(11)
Loss before taxation		**(20,213)**	(22,209)
Income tax credit	10	**2,535**	4,595
Loss for the year	11	**(17,678)**	(17,614)
Other comprehensive expenses for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(3,684)**	(4,523)
Available-for-sale financial assets			
– net change in fair value during the year		**(15,819)**	–
		(19,503)	(4,523)
Total comprehensive expenses for the year		**(37,181)**	(22,137)
Loss for the year attributable to:			
Owners of the Company		**(15,896)**	(16,367)
Non-controlling interests		**(1,782)**	(1,247)
		(17,678)	(17,614)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(34,824)**	(20,297)
Non-controlling interests		**(2,357)**	(1,840)
		(37,181)	(22,137)
Loss per share	15		
Basic (HK cent(s) per share)		**(0.99)**	(1.15)
Diluted (HK cent(s) per share)		**(0.99)**	(1.15)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,404**	5,513
Intangible assets	17	**72**	122
Non-current prepayments	18	**16,054**	–
Available-for-sale financial assets	19	**97,740**	–
Deferred tax assets	20(a)	**6,848**	4,456
		125,118	10,091
Current assets			
Inventories	21	**22,670**	34,729
Properties for sale under development	22	**204,964**	206,903
Trade and bill receivables	23(a)	**16,429**	14,589
Prepayments, deposits and other receivables	23(b)	**7,016**	14,458
Pledged bank deposits		**2,450**	2,483
Bank and cash balances		**70,369**	208,330
		323,898	481,492
Current liabilities			
Trade payables	24	**25,820**	32,009
Accruals, other payables and deposits received		**5,432**	2,901
Due to a non-controlling shareholder of a subsidiary	25	**–**	1,674
Obligations under finance leases	26	**52**	51
		31,304	36,635
Net current assets		**292,594**	444,857
Total assets less current liabilities		**417,712**	454,948
Non-current liabilities			
Obligations under finance leases	26	**123**	178
NET ASSETS		**417,589**	454,770

Consolidated Statement of Financial Position
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	*27*	**16,111**	16,111
Reserves	*28*	**393,745**	428,569
Equity attributable to owners of the Company		**409,856**	444,680
Non-controlling interests		**7,733**	10,090
TOTAL EQUITY		**417,589**	454,770

The consolidated financial statements on pages 55 to 110 are approved and authorised for issue by the Board of Directors on 17 March 2017 and are signed on its behalf by:

Cao Jianguo	**Tsui Kun Lam Ivan**
Director	*Director*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		10,741	185,199	–	89	113	(51,780)	144,362	11,930	156,292
Total comprehensive expenses for the year		–	–	–	–	(3,930)	(16,367)	(20,297)	(1,840)	(22,137)
Issue of new shares under the Open Offer	27	5,370	316,852	–	–	–	–	322,222	–	322,222
Transaction costs attributable to issue of new shares	27	–	(1,607)	–	–	–	–	(1,607)	–	(1,607)
At 31 December 2015		16,111	500,444	–	89	(3,817)	(68,147)	444,680	10,090	454,770
At 1 January 2016		16,111	500,444	–	89	(3,817)	(68,147)	444,680	10,090	454,770
Total comprehensive expenses for the year		–	–	(15,819)	–	(3,109)	(15,896)	(34,824)	(2,357)	(37,181)
At 31 December 2016		**16,111**	**500,444**	**(15,819)**	**89**	**(6,926)**	**(84,043)**	**409,856**	**7,733**	**417,589**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before taxation		**(20,213)**	(22,209)
Adjustments for:			
Amortisation	11	**50**	28
Depreciation	11	**1,051**	1,207
Bank interest income	7	**(332)**	(358)
Foreign exchange loss		**860**	–
Finance costs	8	**10**	11
Net loss on disposal of property, plant and equipment	7	**–**	19
Impairment loss on trade receivables	11	**2,993**	739
Write down of inventories	11	**1,730**	–
Operating cash flows before working capital changes		**(13,851)**	(20,563)
Change in inventories		**10,329**	(9,643)
Change in properties for sale under development		**(1,273)**	(206,890)
Change in trade and bill receivables		**(4,833)**	(1,973)
Change in prepayments, deposits and other receivables		**7,442**	(8,030)
Change in trade payables		**(6,189)**	10,009
Change in accruals, other payables and deposits received		**2,531**	(162)
Change in amount due to a non-controlling shareholder of a subsidiary		**(1,674)**	1,463
Change in amount due to a controlling shareholder of the Company		**–**	(5,062)
Cash used in operations		**(7,518)**	(240,851)
Income taxes refund		**–**	572
Net cash used in operating activities		**(7,518)**	(240,279)
Cash flows from investing activities			
Bank interest received		**332**	358
Purchase of available-for-sale financial assets		**(111,727)**	–
Payments of transaction costs on purchase of available-for-sale financial assets		**(1,832)**	–
Increase in non-current prepayments		**(16,054)**	–
Purchase of property, plant and equipment		**(239)**	(640)
Purchase of intangible assets		**–**	(150)
Proceeds from disposal of property, plant and equipment		**–**	53
Net cash used in investing activities		**(129,520)**	(379)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Net proceeds from issue of new shares	27	**–**	320,615
Capital element of obligations under finance leases		**(51)**	(41)
Interest element of obligations under finance leases		**(10)**	(11)
Net cash (used in)/generated from financing activities		**(61)**	320,563
Net (decrease)/increase in cash and cash equivalents		**(137,099)**	79,905
Effect of change in foreign exchange rate		**(862)**	(3,006)
Cash and cash equivalents at beginning of year		**208,330**	131,431
Cash and cash equivalents at end of year		**70,369**	208,330
Analysis of cash and cash equivalents			
Bank and cash balances		**70,369**	208,330

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Hailiang International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law 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's head office and principal place of business in Hong Kong is at Office 18, 6th Floor, World-wide House, No. 19 Des Voeux Road Central, Hong Kong. The Company's shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries (together with the Company, collectively referred to as the "Group") are principally engaged in the (i) sale of metals and semiconductors and related products; (ii) development and provision of electronic turnkey device solutions; and (iii) property development. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), as at the date of issue of these consolidated financial statements, 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) ("Hailiang Group"), the sole shareholder of Rich Pro Investments Limited ("Rich Pro") (the controlling shareholder of the Company), which is a company incorporated in the British Virgin Islands, is the ultimate holding company of the Company. Both Hailiang Group and Rich Pro do not produce financial statements available for public use.

At the extraordinary general meeting of the shareholders of the Company (the "Shareholders") held on 10 February 2015, a special resolution was passed to change the name of the Company from "Sunlink International Holdings Limited 科浪國際控股有限公司" to "Hailiang International Holdings Limited 海亮國際控股有限公司" (the "Change of Company Name"). The Certificate of Incorporation on Change of Company Name was issued by the Registrar of Companies in the Cayman Islands on 10 February 2015 certifying that the name of the Company be changed from "Sunlink International Holdings Limited 科浪國際控股有限公司" to "Hailiang International Holdings Limited 海亮國際控股有限公司". The Change of Company Name took effect on 10 February 2015. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 17 March 2015 confirming the registration of the new name "Hailiang International Holdings Limited 海亮國際控股有限公司" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial instruments which are carried at their fair values.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise their judgements in the process of applying the accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Machinery	9.6%
Computer & office equipment	9.6% – 20%
Motor vehicles	9.6% – 12.5%
Leasehold improvement	20% or over the unexpired terms of the lease, if less than 5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Classification of leases

(i) Operating leases
Leases that do not substantially transfer to/from the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor)/rental income are recognised as an expense/other income on a straight-line basis over the lease term.

(ii) Finance leases
Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. The amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payment, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the assets, the life of the asset, as set out in the section headed "Property, plant and equipment".

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 3 years.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditures, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised in consolidated profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in consolidated other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in consolidated other comprehensive income are recognised in consolidated profit or loss.

Impairment losses recognised in consolidated profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through consolidated profit or loss. Impairment losses recognised in consolidated profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in consolidated profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow into the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Rental income is recognised on a straight-line basis over the lease term.

Development management fee income is recognised when the services are provided.

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

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees’ basic salaries. The retirement benefit scheme cost charged to consolidated profit or loss represents contributions payable by the Group to the funds.

Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in consolidated other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(A) A person or a close member of that person's family is related to the Group if that person: (Continued)

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

(b) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are principally denominated in Australian dollars ("AUD"), United States dollars ("US$") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
AUD	**171,103**	246,519	**–**	–
US$	**50,579**	51,806	**9,495**	21,766
HK$	**–**	–	**10,580**	6,232
RMB	**75**	46	**–**	–

Sensitivity analysis

As HK$ is pegged to US$, the currency risk associated with US$ and HK$ is considered minimal. The Directors are of the opinion that the Group's exposures to currency risk associated with US$ is minimal. Accordingly, no sensitivity analysis is presented.

The Group mainly exposes to the effect of fluctuation in HK$ against AUD.

The following table details the group entities sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive number below indicates a decrease in loss/increase in equity where functional currency of the relevant group entities weakens 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on consolidated profit or loss.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

	Effect on equity		Effect on loss after tax and accumulated losses	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
AUD	**8,555**	7,434	**8,555**	7,434
HK$	**(529)**	(312)	**(529)**	(312)

(b) Price risk

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period (see note 19). Therefore, the Group is exposed to equity security price risk .

At 31 December 2016, if the share prices of the available-for-sale financial assets increase/decrease by 10%, other comprehensive income for the year would have been approximately HK$9,774,000 (2015: HK$Nil) higher/lower, arising as a result of the fair value gain/loss on the available-for-sale financial assets.

(c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2016 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and bill receivables, other receivables, pledged bank deposits and bank and cash balances. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

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

The maturity analysis of the Group's financial liabilities is as follows:

	Effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016						
Trade payables	**–**	**25,820**	**–**	**–**	**25,820**	**25,820**
Accruals and other payables	**–**	**4,936**	**–**	**–**	**4,936**	**4,936**
Obligations under finance leases	**4.95%**	**60**	**60**	**69**	**189**	**175**
		30,816	**60**	**69**	**30,945**	**30,931**
At 31 December 2015						
Trade payables	–	32,009	–	–	32,009	32,009
Accruals and other payables	–	2,602	–	–	2,602	2,602
Due to a non-controlling shareholder of a subsidiary	–	1,674	–	–	1,674	1,674
Obligations under finance leases	4.95%	61	61	131	253	229
		36,346	61	131	36,538	36,514

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities except for obligations under finance leases, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's finance lease payables bear interests at fixed interest rate and therefore are subject to fair value interest rate risks.

(f) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**95,488**	227,515
Available-for-sale financial assets	**97,740**	–
	193,228	227,515
Financial liabilities:		
Financial liabilities at amortised cost	**30,756**	36,285

(g) Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Group's available-for-sale financial assets are carried at fair value as at 31 December 2016 (2015: Nil).

5. FINANCIAL RISK MANAGEMENT (Continued)

(g) Fair values (Continued)

The following disclosures of fair value measurements use a fair value hierarchy which has three levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: unobservable inputs for the asset or liability

Disclosures of level in fair value hierarchy at 31 December 2016 (2015: Nil):

	Fair value measurement using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets:				
– Listed securities in Singapore	**97,740**	**–**	**–**	**97,740**

The carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost as reflected in the consolidated statement of financial position approximate to their respective fair values.

6. REVENUE

The Group's revenue is categorised as follows:

	2016 HK$'000	2015 HK$'000
Sale of metals and semiconductors and related products	**148,930**	113,838
Development and provision of electronic turnkey device solutions	**49,739**	28,724
Property development	**1,411**	–
	200,080	142,562

7. OTHER INCOME AND OTHER NET LOSS

	2016 HK$'000	2015 HK$'000
Other income		
Bank interest income	**332**	358
Rental income	**1,355**	89
Sundry income	**53**	210
	1,740	657

	2016 HK$'000	2015 HK$'000
Other net loss		
Net foreign exchange loss	**(1,415)**	(1,363)
Net loss on disposal of property, plant and equipment	**–**	(19)
	(1,415)	(1,382)

8. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on obligations under finance leases	**10**	11

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8, *Operating Segments*, which requires operating segments to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The chief operating decision maker is the Directors.

The Group has three operating and reportable segments as follows:

– Sale of metals and semiconductors and related products

– Development and provision of electronic turnkey device solutions

– Property development

Note: Sale of metals, which commenced during the year ended 31 December 2015, is being aggregated with sale of semiconductors and related products to form the segment of "Sale of metals and semiconductors and related products" in a manner consistent with the way in which information is reported internally to the chief operating decision maker. They form one reportable segment as they have similar business nature and gross margins.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include intercompanies income and expenses, unallocated corporate other income or loss, unallocated corporate expenses, finance costs and income tax credit. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities.

9. SEGMENT INFORMATION (Continued)

Information about reportable segment revenues, profits or losses, assets and liabilities:

	Sale of metals and semiconductors and related products		Development and provision of electronic turnkey device solutions		Property development		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December								
Revenue from external customers	**148,930**	113,838	**49,739**	28,724	**1,411**	–	**200,080**	142,562
Segment profit/(loss) before finance costs and income tax credit	**633**	(929)	**(3,652)**	(2,574)	**(4,898)**	(9,386)	**(7,917)**	(12,889)
Bank interest income	**14**	9	**14**	41	**298**	283	**326**	333
Interest expense on obligations under finance leases	**–**	–	**–**	–	**(10)**	(11)	**(10)**	(11)
Depreciation	**(28)**	(29)	**(867)**	(1,037)	**(70)**	(57)	**(965)**	(1,123)
Impairment loss on trade receivables	**–**	(739)	**(2,993)**	–	**–**	–	**(2,993)**	(739)
Write down of inventories	**–**	–	**(1,730)**	–	**–**	–	**(1,730)**	–
Capital expenditure	**–**	–	**238**	485	**–**	311	**238**	796
As at 31 December								
Segment assets	**69,284**	143,561	**36,058**	35,363	**221,393**	241,056	**326,735**	419,980
Segment liabilities	**9,560**	21,689	**18,865**	13,279	**2,087**	1,296	**30,512**	36,264

9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment loss, assets and liabilities are as follows:

	2016 HK$'000	2015 HK$'000
Loss		
Total loss of reportable segments	**(7,917)**	(12,889)
Unallocated amounts:		
Unallocated corporate other income and other net loss	**(1,052)**	29
Unallocated corporate expenses	**(11,234)**	(9,338)
Loss from operations	**(20,203)**	(22,198)
Finance costs	**(10)**	(11)
Loss before taxation	**(20,213)**	(22,209)

	2016 HK$'000	2015 HK$'000
Assets		
Total assets of reportable segments	**326,735**	419,980
Unallocated corporate assets	**122,281**	71,603
Total assets	**449,016**	491,583

	2016 HK$'000	2015 HK$'000
Liabilities		
Total liabilities of reportable segments	**30,512**	36,264
Unallocated corporate liabilities	**915**	549
Total liabilities	**31,427**	36,813

9. SEGMENT INFORMATION (Continued)

Geographical information:

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, non-current prepayments and available-for-sale financial assets ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place. In the case of property, plant and equipment, non-current prepayments and available-for-sale financial assets, the geographical location is based on the physical location of the assets, and in the case of intangible assets, the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**148,930**	113,838	**16,203**	311
The People's Republic of China (the "PRC") except Hong Kong	**49,739**	28,724	**4,064**	4,988
Australia	**1,411**	–	**263**	336
Singapore	**–**	–	**97,740**	–
Total	**200,080**	142,562	**118,270**	5,635

Revenue from major customers contributing 10% or more to the Group's revenue are as follows:

	2016	2015
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products		
Customer A	**54,228**	85,745
Customer B	**35,261**	–
Customer C	**26,575**	–

10. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Deferred tax *(note 20(a))*	**(2,535)**	(4,595)
	(2,535)	(4,595)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2016 as the Group sustained a loss for taxation purposes during the years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof. The Group's subsidiaries incorporated in Australia are subject to income tax at a rate of 30% (2015: 30%). The Corporate Income Tax rate applicable to subsidiaries registered in the PRC is 25% (2015: 25%). No provision for overseas tax for the years ended 31 December 2015 and 2016 was provided as the Group had no assessable profits arising in both Australia and the PRC during the years.

The reconciliation between the income tax credit and the loss before taxation is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation	**(20,213)**	(22,209)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(3,335)**	(3,664)
Tax effect of expenses that are not deductible	**312**	780
Tax effect of income that is not taxable	**(3)**	(497)
Tax effect of tax losses not recognised	**1,936**	1,217
Tax effect of utilisation of previously unrecognised tax losses	**(95)**	–
Tax effect of recognition of previously unrecognised tax losses	**–**	(395)
Tax effect of different tax rates of subsidiaries	**(1,449)**	(2,036)
Others	**99**	–
	(2,535)	(4,595)

11. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging the following:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**600**	651
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**14,982**	14,601
Retirement benefits scheme contributions	**916**	1,055
	15,898	15,656
Cost of inventories sold	**191,689**	139,716
Amortisation *(note 17)*	**50**	28
Depreciation *(note 16)*	**1,051**	1,207
Impairment loss on trade receivables *(note 23(a))*	**2,993**	739
Write down of inventories	**1,730**	–
Operating lease charges on land and buildings	**3,574**	4,510

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$6,222,000 (2015: approximately HK$5,270,000) which are included in the amounts disclosed separately above.

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

The remunerations of each Director are as follows:

	Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Director						
Cao Jianguo	–	520	–	–	36	556
Zhou Diyong	–	195	–	–	19	214
Ji Danyang	–	195	–	–	19	214
Feng Hailiang	650	–	–	–	36	686
Chang Tat Joel	100	–	–	–	–	100
Ho Gilbert Chi Hang	100	–	–	–	–	100
Tsui Kun Lam Ivan	100	–	–	–	–	100
Total for 2016	**950**	**910**	**–**	**–**	**110**	**1,970**

	Fees	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Director						
Cao Jianguo	–	520	–	–	36	556
Zhou Diyong	–	195	–	–	19	214
Ji Danyang	–	195	–	–	19	214
Feng Hailiang	650	–	–	–	36	686
Chang Tat Joel	100	–	–	–	–	100
Ho Gilbert Chi Hang	100	–	–	–	–	100
Tsui Kun Lam Ivan	100	–	–	–	–	100
Total for 2015	950	910	–	–	110	1,970

12. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

The five highest paid individuals in the Group during the year included zero (2015: one) Director whose remunerations are reflected in the analysis presented above. The remunerations of the five (2015: four) individuals are set out below:

	2016	2015
	HK$'000	*HK$'000*
Basic salaries and allowances	**4,831**	3,864
Retirement benefit scheme contributions	**359**	359
	5,190	4,223

The remunerations of the five (2015: four) individuals with the highest remunerations are within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**1**	1

During the year, no remunerations were paid by the Group to any of the Directors and/or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, no discretionary bonuses were paid by the Group and/or any member of the Group to any of the Directors and/or the five highest paid individuals.

For the year ended 31 December 2016, the remunerations of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

	2016 Number of individuals	2015 Number of individuals
Nil – HK$1,000,000	**1**	1

13. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages, subject to a cap of monthly relevant income of HK$30,000 and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme are to meet the required contributions under the scheme.

The employees of the Group's Australian subsidiary receive a superannuation guarantee contribution as required by the law, which is currently 9.5% of the ordinary time earnings, subject to a maximum contribution base. No other retirement benefits are provided to the employees.

14. DIVIDENDS

The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	**(15,896)**	(16,367)

	2016	2015
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,611,111**	1,423,429

The basic and diluted loss per share for the years ended 31 December 2015 and 2016 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

As described in note 27 to the consolidated financial statements, the Company completed the open offer (the "Open Offer") on 30 June 2015. In calculating loss per share, the weighted average number of ordinary shares during the year ended 31 December 2015 was calculated as if the bonus elements without consideration included in the Open Offer had existed from the beginning of the year.

16. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Machinery HK$'000	Computer & office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost					
1 January 2015	6,820	866	761	576	9,023
Additions	23	328	341	185	877
Disposals	–	(25)	(230)	–	(255)
Exchange differences	(363)	(50)	(44)	(30)	(487)
At 31 December 2015 and 1 January 2016	6,480	1,119	828	731	9,158
Additions	144	65	–	30	239
Exchange differences	(425)	(51)	(41)	(40)	(557)
At 31 December 2016	**6,199**	**1,133**	**787**	**721**	**8,840**
Accumulated depreciation					
1 January 2015	1,894	301	157	442	2,794
Charge for the year	736	149	226	96	1,207
Written back on disposals	–	(1)	(182)	–	(183)
Exchange differences	(125)	(14)	(10)	(24)	(173)
At 31 December 2015 and 1 January 2016	2,505	435	191	514	3,645
Charge for the year	694	157	98	102	1,051
Exchange differences	(192)	(21)	(15)	(32)	(260)
At 31 December 2016	**3,007**	**571**	**274**	**584**	**4,436**
Carrying amount					
At 31 December 2016	**3,192**	**562**	**513**	**137**	**4,404**
At 31 December 2015	3,975	684	637	217	5,513

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets held under finance leases

The Group leases a motor vehicle under non cancellable finance leases (note 26). The lease term is 5 years. Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	2016	2015
	HK$'000	*HK$'000*
Cost – capitalised finance leases	**227**	230
Accumulated depreciation	**(51)**	(23)
	176	207

17. INTANGIBLE ASSETS

	Webpage design and development
	HK$'000
Cost	
At 1 January 2015	–
Additions	150
At 31 December 2015, 1 January 2016 and 31 December 2016	**150**
Accumulated amortisation	
At 1 January 2015	–
Charge for the year	28
At 31 December 2015 and 1 January 2016	28
Charge for the year	50
At 31 December 2016	**78**
Carrying amount	
At 31 December 2016	**72**
At 31 December 2015	122

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

18. NON-CURRENT PREPAYMENTS

	2016 **HK$'000**	2015 *HK$'000*
Prepayments for purchase of property, plant and equipment	**16,054**	–

Included in the balance above, prepayments of HK$15,712,000 was paid by the Group in relation to the purchase of a property at a consideration of HK$26,827,000. The property was intended to be used by the Group for office use. The transaction was subsequently completed on 15 February 2017.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 **HK$'000**	2015 *HK$'000*
Equity securities, at fair value		
Listed in Singapore	**97,740**	–

The investment represents the subscription of 21,431,000 ordinary shares (the "Jinjiang Shares") of China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司) ("China Jinjiang") (the "Subscription") at an aggregate subscription price of Singapore dollar of $19,287,900 (equivalent to approximately HK$111,727,000). China Jinjiang is listed in Singapore. The dealing and quotation of the Jinjiang Shares on the Main Board of The Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the Subscription, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the "Over-allotment Option") is not exercised). The Over-allotment Option was subsequently partially exercised on 1 September 2016, and as a result, as at 31 December 2016, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the partial exercise of the Over-allotment Option).

The fair value of listed securities are based on current bid prices.

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets recognised

Movement of each component of deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Future benefit of tax losses** ***HK$'000***
At 1 January 2015	–
Credited to the consolidated profit or loss *(note 10)*	4,595
Exchange differences	(139)
At 31 December 2015 and 1 January 2016	4,456
Credited to the consolidated profit or loss *(note 10)*	2,535
Exchange differences	(143)
At 31 December 2016	**6,848**

(b) Deferred tax assets not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$26,120,000 (2015: approximately HK$16,659,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK$9,516,000 (2015: approximately HK$5,544,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

21. INVENTORIES

	2016 ***HK$'000***	2015 *HK$'000*
Raw materials	**2,494**	4,595
Work in progress	**2,623**	662
Finished goods	**17,553**	29,472
	22,670	34,729

22. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2015	750
Additions	206,890
Exchange differences	(737)
At 31 December 2015 and 1 January 2016	206,903
Additions	1,273
Exchange differences	(3,212)
At 31 December 2016	**204,964**

As at 31 December 2016, the properties for sale under development included the payment for the land and the related professional and governmental fees in relation to the acquisition of a piece of land in Australia which was approved by the Shareholders on 10 February 2015 (details of the relevant agreement are set out in the circular of the Company dated 24 January 2015). The amounts were not expected to be recovered within twelve months from the end of the reporting period. They were included in the Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for properties development.

The analysis of carrying amount of land held for properties for sale under development is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Outside Hong Kong		
– Freehold	**189,750**	192,318

23. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Trade and bill receivables

	2016 *HK$'000*	2015 *HK$'000*
Trade and bill receivables	**22,310**	17,693
Less: Allowance for doubtful debts	**(5,881)**	(3,104)
	16,429	14,589

23. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade and bill receivables (Continued)

The Group's trading terms with its customers of the sale of semiconductors and related products, and development and provision of electronic turnkey device solutions businesses are mainly on credit. The credit terms generally range from 15 to 120 days. Each customer has a maximum credit limit. For new customers, including new customers identified in the sale of metals business, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the senior management. All trade and bill receivables are expected to be recovered or recognised within one year.

The ageing analysis of trade and bill receivables, based on the invoice date, and net of allowance, is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
30 days or less	**11,461**	5,750
31 days to 60 days	**2,386**	3,144
61 days to 90 days	**844**	901
91 days to 120 days	**326**	676
Over 120 days	**1,412**	4,118
	16,429	14,589

The balance of trade and bill receivables included an amount of approximately HK$340,000 (2015: approximately HK$863,000) in relation to bill receivables as at 31 December 2016.

As at 31 December 2016, trade and bill receivables of approximately HK$1,412,000 (2015: approximately HK$4,118,000) were past due but not impaired. These related to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Over 120 days	**1,412**	4,118

23. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Trade and bill receivables (Continued)

The carrying amounts of the Group's trade and bill receivables are denominated in the following currencies:

	2016 ***HK$'000***	2015 *HK$'000*
US$	**43**	–
RMB	**16,386**	14,589
	16,429	14,589

Movement of the allowance for doubtful debts during the year:

	2016 ***HK$'000***	2015 *HK$'000*
At 1 January	**3,104**	2,435
Impairment loss recognised *(note 11)*	**2,993**	739
Exchange difference	**(216)**	(70)
At 31 December	**5,881**	3,104

As at 31 December 2016, trade and bill receivables of approximately HK$5,881,000 (2015: approximately HK$3,104,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the whole receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of approximately HK$5,881,000 (2015: approximately HK$3,104,000) were recognised.

(b) Prepayments, deposits and other receivables

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$123,000 (2015: approximately HK$955,000).

24. TRADE PAYABLES

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2016	2015
	HK$'000	*HK$'000*
30 days or less	**9,520**	24,326
31 days to 60 days	**3,378**	1,298
61 days to 90 days	**1,613**	1,510
91 days to 120 days	**9,030**	789
Over 120 days	**2,279**	4,086
	25,820	32,009

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

	2016	2015
	HK$'000	*HK$'000*
US$	**9,495**	21,542
RMB	**16,325**	10,467
	25,820	32,009

25. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due to a non-controlling shareholder of a subsidiary was arising from the purchase of raw materials from the non-controlling shareholder of a subsidiary. It was unsecured, non-interest bearing and had credit period of not less than 90 days.

26. OBLIGATIONS UNDER FINANCE LEASES

	2016		2015	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Within one year	60	52	61	51
In the second to fifth year inclusive	129	123	192	178
	189	175	253	229
Less: Future finance charges	(14)		(24)	
Present value of lease obligations	175		229	
The present value of future lease payments are analysed as:				
Current liabilities		52		51
Non-current liabilities		123		178
		175		229

The average lease term is 5 years (2015: 5 years). At 31 December 2016, the average effective borrowing rate was 4.95% (2015: 4.95%). Interest rate is fixed at the contract date and thus exposes the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in AUD.

The Group's finance lease payables are secured by the lessor's title to the leased asset.

27. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to shareholders through the optimisation of debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

27. SHARE CAPITAL (Continued)

	2016	2015
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
1,611,110,767 ordinary shares of HK$0.01 each	**16,111**	16,111

Movement of the number of shares issued and the share capital during the years are as follows:

	Number of shares issued	Share capital
	'000	*HK$'000*
At 1 January 2015	1,074,074	10,741
Issue of new shares under the Open Offer *(note)*	537,037	5,370
At 31 December 2015, 1 January 2016 and 31 December 2016	**1,611,111**	**16,111**

Note: On 30 June 2015, the Company completed the Open Offer in which 537,036,922 offer shares were issued on the basis of one offer share for every two existing shares at the subscription price of HK$0.60 per Share with the par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$5,370,000 and its share premium account was increased by approximately HK$315,245,000 (after deduction of the transaction costs related to the Open Offer of approximately HK$1,607,000).

28. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity and the consolidated statement of profit or loss and other comprehensive income.

28. RESERVES (Continued)

(b) The Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	185,199	(61,576)	123,623
Total comprehensive expenses for the year	–	(6,412)	(6,412)
Issue of new shares	315,245	–	315,245
At 31 December 2015	500,444	(67,988)	432,456
At 1 January 2016	500,444	(67,988)	432,456
Total comprehensive income for the year	–	4,104	4,104
At 31 December 2016	**500,444**	**(63,884)**	**436,560**

(c) Nature and purpose of reserves of the Group

(i) Share premium

Under the Companies Law of the Cayman Islands, subject to the Company's Memorandum and Articles of Association, the funds in the share premium account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(iii) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(iv) Available-for-sale financial assets revaluation reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

29. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Company (the "Scheme") was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the Shares on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant participant at the time the grant of the options (subject to any adjustments made pursuant to the Scheme and the relevant provisions of the Listing Rules) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share. The exercise period of the share options granted is determinable by the Directors but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the Shareholders' approval with such participant and his/her associates abstaining from voting.

29. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The limit on the total number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the Shares in issue from time to time. In addition, the total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the Shares in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case may be.

No options were granted or exercised during the years ended 31 December 2015 and 2016 and no share options were outstanding as at 31 December 2015 and 2016.

30. CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

31. PLEDGE OF ASSETS

As at 31 December 2016, except for pledged bank deposits and motor vehicle with carrying amounts of approximately HK$2,450,000 (2015: approximately HK$2,483,000) and HK$176,000 (2015: HK$208,000) respectively, the Group did not have other significant assets under pledge (2015: Nil).

32. LEASE COMMITMENTS

As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases and were payable as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**3,928**	6,068
In the second to fifth year inclusive	**2,078**	6,213
	6,006	12,281

Operating lease payments represent rentals payable by the Group for its offices and factory premises. Leases are negotiated for terms from one year to ten years and rentals are fixed over the lease terms and do not include contingent rentals.

32. LEASE COMMITMENTS (Continued)

As lessor/As lessee and sub-lessor

At the end of the reporting period, the Group has total future minimum lease and sublease payments expected to be received under non-cancellable subleases and were receivable as follows:

(a) As lessor

	2016	2015
	HK$'000	*HK$'000*
Within one year	**246**	407

(b) As lessee and sub-lessor

	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,294**	1,903
In the second to fifth year inclusive	**713**	3,052
	2,007	4,955

33. CAPITAL COMMITMENTS

At 31 December 2016, the Group had the following capital commitments in respect of the purchase of property, plant and equipment not provided for in the consolidated financial statements:

	2016	2015
	HK$'000	*HK$'000*
Contracted for:	**13,592**	–

34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere to the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2016	2015
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**1,860**	1,860
Post-employment benefits	**110**	110
	1,970	1,970
Sharing of administrative services charge with a fellow subsidiary *(note)*	**16**	69
Sharing of rental charge with a fellow subsidiary *(note)*	**95**	335

Note: These related party transactions constitute continuing connected transactions ("CCT") as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from the reporting, announcement and independent Shareholders' approval requirments under Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1). These transactions were terminated on 1 March 2016.

During the year ended 31 December 2016, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK$18,000 (2015: approximately HK$98,000) which are considered as CCT under the Listing Rules. An independent report on the CCT issued by the Company's auditor is disclosed in the Report of the Directors.

35. MAJOR NON-CASH TRANSACTION

Addition to property, plant and equipment during the year of HK$Nil (2015: approximately HK$237,000) was financed by finance leases.

36. EVENTS AFTER THE REPORTING PERIOD

There is no significant event happened after the end of the reporting period.

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2016 were as follows:

Name	Place of incorporation/ registration	Principal place of business	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Smart Victory Development Limited	British Virgin Islands	Not applicable	1 ordinary share of US$1 each	100%	–	Investment holding
Global Champion Technology Limited	Hong Kong	Hong Kong	HK$100	–	70%	Sale of semiconductors and related products
Global Winner Enterprises Limited	Hong Kong	Hong Kong	HK$1	–	100%	Sale of semiconductors and related products
Onetech Technology Company Limited	Hong Kong	Hong Kong	HK$100	–	100%	Development and provision of electronic turnkey device solutions
Hui Yi Enterprises Limited	British Virgin Islands	Not applicable	1 ordinary share of US$1 each	100%	–	Investment holding
Sable International Limited	Hong Kong	Hong Kong	HK$1	–	100%	Sale of metals
Yuan Yi Enterprises Limited	British Virgin Islands	Not applicable	1 ordinary share of US$1 each	100%	–	Investment holding
Ample Go Limited	Hong Kong	Not applicable	HK$1	–	100%	Investment holding

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2016 were as follows: (Continued)

Name	Place of incorporation/ registration	Principal place of business	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
勝沃數碼電子(深圳)有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited)	The PRC	The PRC	Paid-up capital of HK$3,000,000	–	100%	Development and provision of electronic turnkey device solutions
佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian")	The PRC	The PRC	Paid-up capital of RMB21,910,000	–	50.21%	Development and provision of electronic turnkey device solutions
Hailiang Property Group Australia Pty Ltd	Australia	Australia	10,000 ordinary shares of AUD1 each	100%	–	Property development
Hailiang Property Campsie Pty Ltd	Australia	Australia	10,000 ordinary shares of AUD1 each	–	100%	Property development

Foshan Lianchuang Hualian is an enterprise established in the PRC on 18 May 2007 for a period of 24 years. This company is jointly owned by Macro Success Holdings Limited, an indirect wholly-owned subsidiary of the Company, 廈門華聯電子有限公司 (literally translated as Xiamen Hualian Electronics Company Limited) and 深圳市中科融低碳技術發展有限公司 (literally translated as Shenzhen Zhong Ke Rong Low-carbon Technology Development Company Limited) as to 50.21%, 45.64% and 4.15% respectively.

Sheng Wo Digital Electronics (Shenzhen) Company Limited is a wholly foreign-owned enterprise established in the PRC on 24 June 2010 for a period of 20 years.

37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Foshan Lianchuang Hualian**	
Principal place of business/country of incorporation	**The PRC**	
	2016	2015
% of ownership interest/voting rights held by NCI	**49.79%**	49.79%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**4,064**	4,986
Current assets	**30,363**	28,576
Current liabilities	**(18,850)**	(13,264)
Net assets	**15,577**	20,298
Carrying amount of NCI	**7,756**	10,106
Years ended 31 December:		
Revenue	**49,739**	28,724
Loss for the year	**(3,567)**	(2,491)
Loss allocated to NCI	**(1,776)**	(1,240)
Total comprehensive expenses	**(4,721)**	(3,684)
Total comprehensive expenses allocated to NCI	**(2,351)**	(1,834)
Net cash generated from/(used in) operating activities	**4,372**	(1,318)
Net cash used in investing activities	**(236)**	(443)
Net increase/(decrease) in cash and cash equivalents	**4,136**	(1,761)

(c) Significant restriction

As at 31 December 2016, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$4,066,000 (2015: approximately HK$5,124,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**69**	154
Non-current prepayments		**342**	–
Intangible assets		**72**	122
Interests in subsidiaries *(note a)*	*37*	**252,646**	253,339
		253,129	253,615
Current assets			
Due from subsidiaries *(note b)*		**199,007**	131,090
Prepayments, deposits and other receivables		**948**	903
Bank and cash balances		**7,349**	70,374
		207,304	202,367
Current liabilities			
Due to a subsidiary		**6,862**	6,881
Accruals and other payables		**900**	534
		7,762	7,415
Net current assets		**199,542**	194,952
Total assets less current liabilities		**452,671**	448,567
NET ASSETS		**452,671**	448,567
Capital and reserves			
Share capital	*27*	**16,111**	16,111
Reserves	*28(b)*	**436,560**	432,456
TOTAL EQUITY		**452,671**	448,567

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Interests in subsidiaries

	2016	2015
	HK$'000	*HK$'000*
Unlisted investments, at cost	**70,963**	97,835
Loan to a subsidiary	**158,492**	146,667
Amount due from a subsidiary	**23,191**	8,837
	252,646	253,339

The amount due from a subsidiary is unsecured and has no fixed term of repayment. It is not expected to be settled within one year from the end of the reporting period.

Loan to a subsidiary is unsecured, interest bearing at approximately 6.42% per annum and repayable in 2020.

(b) The amounts due from subsidiaries are unsecured and have no fixed term of repayment.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 17 March 2017.

Particulars of Major Properties and Property Interests

As at 31 December 2016

Properties for sale under development

Property address:	445-453 Canterbury Road, Campsie, New South Wales 2194, Australia
Registered Lots:	13/DP3995, 15/DP3995, 3/DP337683, A/DP355656, B/DP355656, A/DP391661, B/DP391661, A/DP416123, B/DP416123
Approximate site area:	4,416.0 sq.m.
Approximate gross floor area after redevelopment:	13,943.2 sq.m.
Existing use:	Shops
Proposed use:	Residential and commercial
Effective interest:	100%

Note: Please refer to the paragraph "Property Development" under the section headed "Management Discussion and Analysis" of this Annual Report for details of the status of the development of the properties.

Five Year Financial Summary

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	334,135	231,191	71,375	142,562	**200,080**
Profit/(loss) for the year	262,800	(1,414)	(12,826)	(17,614)	**(17,678)**
Profit/(loss) attributable to:					
Owners of the Company	263,149	353	(11,419)	(16,367)	**(15,896)**
Non-controlling interests	(349)	(1,767)	(1,407)	(1,247)	**(1,782)**
	262,800	(1,414)	(12,826)	(17,614)	**(17,678)**

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	197,879	209,245	186,628	491,583	**449,016**
Total liabilities	(29,319)	(39,637)	(30,336)	(36,813)	**(31,427)**
	168,560	169,608	156,292	454,770	**417,589**
Equity attributable to owners of the Company	154,937	156,188	144,362	444,680	**409,856**
Non-controlling interests	13,623	13,420	11,930	10,090	**7,733**
	168,560	169,608	156,292	454,770	**417,589**