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 2017

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Jianguo (曹建國先生) *(Chairman)*
Mr. Feng Luming (馮櫓銘先生) *(Chief Executive Officer)*
Dr. Jin Xiaozheng (金曉錚博士)

Independent Non-executive Directors

Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan
Dr. Chan Wing Mui Helen
Mr. Wang Cheung Yue

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. Chang Tat Joel
Mr. Tsui Kun Lam Ivan

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Ma Lingyun

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

Chairman's Statement

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 2017.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, the Group reported revenue of HK$702,432,000, representing a 251% increase as compared with the same period in 2016 (2016: HK$200,080,000), and gross profit increased substantially by 255% to HK$19,289,000 as compared with the same period in 2016 (2016: HK$5,435,000). With the material increase in revenue and gross profit, profit recorded for the year was HK$7,340,000 (2016: loss of HK$17,678,000), and the profit attributable to owners of the Company was HK$5,321,000 (2016: loss of HK$15,896,000). Basic earnings per share was HK0.33 cent (2016: basic loss per share of HK0.99 cent).

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 2017, 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 operating environment, the Group's business of sale of metals and semiconductors and related products 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 enhanced its efforts in the business of property development in Australia and continued 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 business of sale of semiconductors 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 especially in metal trading business which is 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 the 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 proactively seize 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.

Cao Jianguo 曹建國
Chairman

Hong Kong, 23 March 2018

Management Discussion and Analysis

BUSINESS OVERVIEW

For the year ended 31 December 2017, the Group continued to engage in the business of sale of metals and semiconductors and related products, and the development and provision of electronic turnkey device solutions. At the same time, the business of property development in Australia is moving forward smoothly with various opportunities in Sydney under consideration.

RESULTS OF THE GROUP

For the year ended 31 December 2017, the Group reported revenue of HK$702,432,000, representing a 251% increase as compared with the same period in 2016 (2016: HK$200,080,000) and gross profit of HK$19,289,000, representing a 255% increase as compared with the same period in 2016 (2016: HK$5,435,000). The Group reported profit of HK$7,340,000 (2016: loss of HK$17,678,000) and other comprehensive income of HK$8,971,000 (2016: other comprehensive expenses of HK$19,503,000), comprising exchange gain arising from translating foreign operations of HK$20,962,000 (2016: exchange loss of HK$3,684,000) and unrealised fair value loss on the investment in the ordinary shares of China Jinjiang Environment Holding Company Limited (the "Jinjiang Shares") of HK$11,991,000 (2016: HK$15,819,000), which led to the result that the Group recorded total comprehensive income of HK$16,311,000 for the year ended 31 December 2017 (2016: total comprehensive expenses of HK$37,181,000). The profit attributable to owners of the Company for the year ended 31 December 2017 was HK$5,321,000 (2016: loss of HK$15,896,000); whereas basic earnings per share was HK0.33 cent (2016: basic loss per share of HK0.99 cent).

In general, the improvement in the Group's financial performance compared to the same period in 2016 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 significant exchange gain arising from translating foreign operations recognised under the other comprehensive income of the Group was mainly due to the appreciation of Australian dollars against Hong Kong dollars since the beginning of 2017.

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 to customers in Hong Kong since 2015.

This segment recorded segment profit of HK$8,915,000 during the year ended 31 December 2017 (2016: HK$633,000), and segment margin of 1.4% (2016: 0.4%), 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 remains competitive and volatile

The electronic market in China remains highly competitive and volatile as impacted by continuing over-capacity. The Group's business of sale of semiconductors and related products encountered weak demand from business partners and customers, which resulted in loss of economies of scale, and therefore, declined revenue and profitability in 2017. For the year under review, the revenue of the Group's business of sale of semiconductors and related products decreased by 70% to HK$17,387,000 (2016: HK$58,323,000), as a result of the fierce competition in the electronic industry and the slowdown of economic growth in the PRC.

Metal trading business

To fend off competitions in its electronic products operations , the Group has further diversified its businesses into metal trading business since 2015. Given the interconnectedness of the 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 2017, the Group strived to take advantage of the Hailiang Group's extensive metal products trading experience in the PRC, and largely expanded its transactions with revenue amounted to HK$626,771,000 (2016: HK$90,607,000). These metal trading transactions represented approximately 89% of the Group's total revenue for the year ended 31 December 2017 (2016: 45%). 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 to selected customers with continuous monitoring. As the Group maintains strict credit controls on its customers in order to protect the interest of the Group and its stakeholders, it considers that the risks associated with reliance on these major customers are minimal.

Development and Provision of Electronic Turnkey Device Solutions

The results of the Group's business of development and provision of electronic turnkey device solutions was mainly driven by 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 achieved improved results with an increase in segment revenue by 10% to HK$54,689,000 (2016: HK$49,739,000). This segment recorded segment profit of HK$3,948,000 during the year ended 31 December 2017 (2016: segment loss of HK$3,652,000), as a result of a reversal of write-down of inventories of HK$1,973,000 (2016: Nil), no impairment loss on trade receivables (2016: HK$2,993,000) and no provision for slow-moving inventories (2016: HK$1,730,000) were made in the current year.

BUSINESS REVIEW (Continued)

Property Development

Property development in Australia going forward

The Group conducts its business of property development by establishing a property development operation in Australia. For the year ended 31 December 2017, segment revenue of HK$3,585,000 (2016: HK$1,411,000) was recorded, while segment loss of HK$3,068,000 (2016: HK$4,898,000) 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 revenue of HK$3,585,000 (2016: HK$1,411,000) from development management fee arising from the provision of development management services to Maxida International Alexandra Property Australia Pty Ltd ("Maxida Australia") and rental income of HK$1,501,000 (2016: HK$1,355,000) arising from the land in Australia (the "Site") acquired by the Group in February 2015. The acquisition of the Site was completed on 10 December 2015. Details of the relevant agreement in relation to the acquisition of the Site 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 in relation to the Site due to the fact that the rezoning process took longer than expected to complete.

In 2015, the Department of Planning and Environment of the New South Wales Government of Australia (the "Department") issued the draft precinct plans (the "Draft Plans") for the region in which the Site is located. After public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"). Due to a prolonged transitional period of government reform caused by the parallel State and Federal election and amalgamation of local councils, the revised Draft Plans and the revised Corridor Strategy were only completed and released for public consultations in June 2017. At the same time, local traffic studies submitted by the local council to the Roads and Maritime Services of the New South Wales Government during the year under review were rejected, and a new traffic consultant had to be engaged by the local council to do a third analysis, the report of which was submitted in April 2017.

It was indicated in the revised Draft Plans that the Site falls within the "Canterbury Corridor Review Precinct" (the "Corridor Review"), and is therefore currently deferred from the state Government's Corridor Strategy. To the best knowledge of the Company, (i) the Corridor Review is rescheduled to be reported to the Council in early May 2018; and (ii) as at the date of this annual report, the Corridor Review has not yet been finalised by the Canterbury/Bankstown Council. The release of the Corridor Review will confirm which properties will be permitted to apply for rezoning; and outline the planning controls and parameters applying to the rezoned land. When this is announced, a revised detailed planning proposal can be prepared for submission to the local council.

The Group continues to take a proactive approach in advocating the rezoning of the Site by actively meeting the Department and the local council, and the newly elected Mayor.

BUSINESS REVIEW (Continued)

Property Development (Continued)

Property development in Australia going forward (Continued)

Following the submission of a planning proposal, the rezoning and development consent would be expected within a 12 to 18 month timeframe.

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$3,585,000) per each 12 months of engagements. Details of the relevant agreement are set out in the announcement of the Company dated 5 August 2016.

During the year under review, the Group recognised revenue from the development management fee of HK$3,585,000 (2016: HK$1,411,000), which was recorded as part of the Group's revenue in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017.

Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirectly 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") at an aggregate subscription price of S$19,287,900 (equivalent to approximately HK$111,727,000). The quotation of and dealing in the Jinjiang Shares on the Main Board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. 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. As at 31 December 2017, the Group held approximately 1.75% of the total issued share capital of China Jinjiang (31 December 2016: approximately 1.76%).

The Jinjiang Shares are recorded as financial assets at fair value through other comprehensive income, and are measured at fair value at the end of each reporting period. The fair value of the Jinjiang Shares stood at HK$85,757,000 as at 31 December 2017 (31 December 2016: HK$97,740,000), accounting for approximately 15.4% of the Group's total assets (31 December 2016: 21.8%). During the year under review, an unrealised fair value loss on the investment in the Jinjiang Shares of HK$11,991,000 was recorded under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2017 (2016: HK$15,819,000), which were mainly attributable to (i) an approximately 19.4% decrease in the market price of the Jinjiang Shares (2016: approximately 5.6%) since the beginning of 2017; and (ii) an exchange gain due to an approximately 8.9% appreciation of Singapore dollars against Hong Kong dollars (2016: approximately 7.4% depreciation).

BUSINESS REVIEW (Continued)

Investment in the Jinjiang Shares (Continued)

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.

The Group is optimistic about the prospects of China Jinjiang, the principal business of which includes waste incineration and power generation in the PRC, which involves burning of municipal solid waste at high temperature, and, during the process, the heat energy generated is transformed to high temperature steam to initiate the rotation of turbines for power generation. Having considered the financial performance, business development and prospects of China Jinjiang, the Group believes that the investment is attractive and will enable the Group 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 acquisition was completed on 15 February 2017. The office unit is situated at Office 18, 6th Floor, World-wide House, No.19 Des Voeux Road Central, Hong Kong and is currently used by the Group for office use. 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 2017.

PROSPECTS

In the long term, the Group will continuously explore property projects opportunities in Sydney, Australia with good development potential to enhance the 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 30 to 42 of this annual report.

KEY RISKS AND UNCERTAINTIES (Continued)

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.

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.

KEY RISKS AND UNCERTAINTIES (Continued)

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 2017, the Group had current assets of HK$429,560,000 (31 December 2016: HK$323,898,000) comprising bank and cash balances of HK$165,189,000 (31 December 2016: HK$70,369,000) (excluding pledged bank deposits for bank guarantee facility) and net current assets of HK$307,124,000 (31 December 2016: HK$292,594,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$122,436,000 (31 December 2016: HK$31,304,000), maintained at a healthy level of 3.51 times (31 December 2016: 10.35 times) as at the end of the year under review.

As at 31 December 2017, the Group's equity attributable to owners of the Company was HK$423,388,000 (31 December 2016: HK$409,856,000).

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 2017, the Group had no bank borrowings (31 December 2016: Nil) while had obligations under finance leases amounted to HK$134,000 (31 December 2016: HK$175,000), which was denominated in Australian dollars with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK$423,388,000 (31 December 2016: HK$409,856,000). The Group's gearing ratio was therefore maintained at low level of approximately 0.03% (31 December 2016: 0.04%).

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 debts and/or by equity fund raising.

Current ratio and gearing ratio are two 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.

FINANCIAL REVIEW (Continued)

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 of the Site. During the years ended 31 December 2016 and 2017, the Group further utilised an amount of HK$113,559,000 (including transaction costs) and HK$29,132,000 (including transaction costs) for the subscription of the Jinjiang Shares and the acquisition of an office unit in Hong Kong, respectively. As at 31 December 2017, the remaining of HK$6,407,000 was remained unused and placed with licensed banks in Hong Kong and Australia.

During the year under review, there was no change in the issued share capital of the Company. As at 31 December 2017, 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.

Income Tax

The effective tax rate for the year under review was 16.3% (2016: 12.5%) with the recognition of deferred tax credit of HK$1,968,000 (2016: HK$2,535,000) 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 2017 (31 December 2016: Nil).

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 31 December 2017, bank deposit and motor vehicle with carrying amounts of HK$2,677,000 (31 December 2016: HK$2,450,000) and HK$162,000 (31 December 2016: HK$176,000), 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 2017 amounted to HK$30,653,000 (2016: HK$239,000).

As at 31 December 2017, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK$1,681,000, which represented capital contribution to a subsidiary (31 December 2016: Nil). The commitments will be financed by internal resources and/or external debts of the Group and/or by equity fund raising.

As at 31 December 2017, the Group had no capital commitments contracted for but not provided for in the financial statements of the Group (31 December 2016: HK13,592,000 which has primarily for the purchase of property, plant and equipment).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Save as disclosed in this annual report, (i) the Group did not have any significant investments held or material acquisitions or disposals of subsidiaries during the year under review; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 150 employees including the directors of the Company (the "Directors") (31 December 2016: approximately 149). Total staff costs for the year under review, including directors' remuneration, was HK$18,127,000 (2016: HK$15,898,000). 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.

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.

Among the principal activities of the Group, which include the businesses of sale of metals and semiconductors and related products, the development and provision of electronic turnkey device solutions, and property development in Australia, the Group considers that the business of property development is the most environmentally sensitive. However, as there was no redevelopment and construction conducted during the year under review, the Group considers that the environmental impact was not significant to the Group during the year under review.

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 under review are disclosed in the section "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 providers 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 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no important events 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:

EXECUTIVE DIRECTORS

Mr. Cao Jianguo (曹建國先生), aged 55, has been appointed as an Executive Director of the Company since 12 May 2014. He served as the chief executive officer of the Company from 29 August 2014 to 16 June 2017. Mr. Cao has been appointed as the chairman of the Board since 16 June 2017. 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 Expertof 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, "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, 2016-2017 Most Entrepreneur Honored by Professional Managers in China (2016-2017 年度中國最受職業經理人推崇的企業家)"and"Zhejiang Global Gold Award (浙商全球金獎)".

Mr. Feng Luming (馮櫓銘先生), aged 31, has been appointed as an executive Director of the Company since 1 May 2017 and the chief executive officer of the Company since 17 June 2017. Mr. Feng is a director and the vice president of Hailiang Group Co., Limited# (海亮集團有限公司), a director of Zhe Jiang Hai Liang Co., Ltd.# (浙江海亮股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002203)), the chairman of the board of directors of Natregro Healthy Food Group Ltd.# (明康匯健康食品集團有限公司), an executive director, the chairman of the board of directors and the general manager of Zhejiang Natregro E-commerce Co., Ltd.# (浙江明康匯電子商務有限公司), an executive director of Hangzhou Puying Trading Limited# (杭州璞熒貿易有限公司) and an executive# director and the general manager of Zhuji Renruide Investments Limited# (諸暨仁瑞德投資有限公司). Mr. Feng obtained a bachelor of science degree in business administration (entrepreneurship and innovation) from the University of San Francisco in 2013 and a master of global entrepreneurship and management degree from the University of San Francisco in 2014.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS (Continued)

Dr. Jin Xiaozheng (金曉錚博士), aged 33, has been appointed as an Executive Director of the Company since 22 August 2017. Dr. Jin has been an executive director and general manager of Mingly Corporation since July 2014. Dr. Jin graduated from Shanghai International Studies University with a Bachelor degree in Economics in 2006. He also obtained a Master of Science degree from Oxford University in 2008. In 2012, he was conferred the degree of PhD by the University of Cambridge.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Tat Joel, aged 50, 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 an executive director of Masion Group Holdings Limited (formerly known as 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 OCI International Holdings Limited (formerly known as Dragonite International Limited) (Stock Code: 329). He was formerly a non-executive director of Healthoo International Technolocy Limited (formerly known as AID Partners Technology Holdings Limited) (Stock Code: 8088), 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 DIRECTORS (Continued)

Mr. Ho Gilbert Chi Hang, aged 41, 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 senior director of NWS Holdings Limited (Stock Code: 659), a company listed on the Stock Exchange. Prior to joining NWS Holdings Limited, he was the managing partner of AID Partners Capital Limited and the executive director and Chief Executive Officer of AID Partners Technology Holdings Limited (now known as Healthoo International Technology Holdings Limited) (Stock Code: 8088), a company listed on the Stock Exchange, 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 an executive director of HMV Digital China Group Limited (Stock Code: 8078), a company listed on the Stock exchange, 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 62, 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 representative of JCap Assets Management Limited ("JCap") since 13 June 2017 and a director and responsible Officer of JCap since 27 July 2017. Prior to joining JCap, Mr. Tsui was a responsible officer of Austen Capital Management Limited from 31 March 2016 to 31 May 2017 and 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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Dr. Chan Wing Mui Helen, aged 59, has been appointed as an Independent Non-executive Director of the Company since 1 May 2017. Dr. Chan is the Chief Executive Officer (Honorary) of the Promoting Happiness Index Foundation. She is a visiting lecturer in the School of Design of The Hong Kong Polytechnic University. Dr. Chan had worked in the Immigration Department of the Hong Kong Government for 28 years and retired as an Assistant Director. She made valuable contributions to the Quality Migrant Admission Scheme and enhanced travel convenience for tourists and business visitors. She was a member of the Community Investment and Inclusion Fund Committee of the Labour and Welfare Bureau. Dr. Chan obtained a bachelor of science degree from The University of Hong Kong in 1982. She was awarded the postgraduate diploma in management studies from the City Polytechnic of Hong Kong in 1994. She obtained a master of science degree in information systems from The Hong Kong Polytechnic University in 1997. She obtained a master of science degree from The Chinese University of Hong Kong in 2002. Dr. Chan obtained a doctoral degree in Chinese criminal law in the Renmin University of China in 2008. She obtained a master of Buddhist studies degree from The University of Hong Kong in 2011. She obtained a master of arts degree in Chinese culture from The Hong Kong Polytechnic University in 2015. Dr. Chan was awarded the Chief Executive's Commendation for the Government Service in July 2009 and the Hong Kong Immigration Service Medal for Distinguished Service in July 2008. She was also awarded the Hong Kong Immigration Service Long Service Medal in April 2001 and First Clasp in May 2008.

Mr. Wang Cheung Yue, aged 74, has been appointed as an Independent Non-executive Director of the Company since 1 May 2017. Mr. Wang is the chairman and a director of Salon Films (Hong Kong) Limited. The Wang family founded Salon Films (Hong Kong) Limited in 1969. Mr. Wang has been a director of Salon Films (Hong Kong) Limited since 1969. Mr. Wang is a director of The Hong Kong International Film Festival Society Limited, a director of Asian Film Awards Academy Limited, a member of the Hong Kong Advisory Board of British Academy of Film and Television Arts and a Honorary Consultant to the Academy of Film of Hong Kong Baptist University. Mr. Wang obtained a bachelor of arts degree in business administration from Whittier College, California.

SENIOR MANAGEMENT

Company Secretary

Ms. Ma Lingyun, aged 39, has been appointed as the Company Secretary of the Company since 6 April 2018. Ms. Ma has been the financial controller of the Company since December 2014. Ms. Ma has been involved in, among others, financial management and reporting matters, and the preparation of the Company's regulatory announcements and circulars. Before joining the Company, Ms. Ma was the senior finance manager of GCL-Poly Energy Holdings Limited (Stock Code: 3800), a company listed on the Main Board of the Stock Exchange, from July 2011 to October 2014. Ms. Ma holds a bachelor degree in business management from Sun Yat-Sen University. She has been a member and fellow member of the Association of Chartered Certified Accountants since 2006 and 2011, respectively. Ms. Ma has been a member of The Chinese Institute of Certified Public Accountants since 2009 and a Chartered Financial Analyst of the CFA Institute since 2015.

Literal translation of the Chinese company name

Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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, the development and provision of electronic turnkey device solutions, and the property development. 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 2017 are set out in the consolidated statement of profit or loss on page 56.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 120. 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 119.

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 2017.

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 2017, 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 2017 amounted to HK$460,983,000 (2016: HK$436,560,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 93.7% of the total sales for the year and sales to the largest customer accounted for approximately 64.5%. Purchases from the Group's five largest suppliers accounted for approximately 94.8% of the total purchases for the year and purchases from the largest supplier accounted for approximately 66.7%.

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)[2 and 3]

Executive Directors:

Mr. Cao Jianguo (曹建國先生)[4 and 5] *(Chairman)*
Mr. Zhou Diyong (周迪永先生)[2]
Ms. Ji Danyang (季丹陽女士)[2]
Mr. Feng Luming (馮櫓銘先生)[1 and 6] *(Chief Executive Officer)*
Dr. Jin Xiaozheng (金曉錚博士)[7]

Independent Non-executive Directors:

Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan
Dr. Chan Wing Mui Helen[1]
Mr. Wang Cheung Yue[1]

Notes:

1 Appointed as Director on 1 May 2017
2 Retired as Director on 16 June 2017
3 Ceased as Chairman on 16 June 2017
4 Ceased as Chief Executive Officer on 16 June 2017
5 Appointed as Chairman on 16 June 2017
6 Appointed as Chief Executive Officer on 16 June 2017
7 Appointed as Director on 22 August 2017

In accordance with Article 87 of the Articles of Association, Mr. Cao Jianguo (曹建國先生), Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan will retire by rotation at the forthcoming annual general meeting (the "AGM"). Each of Mr. Cao Jianguo (曹建國先生), Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang and Mr. Tsui Kun Lam Ivan are being eligible offer themselves for re-election at the AGM.

DIRECTORS (Continued)

Pursuant to Article 86(3) of the Articles of Association, Dr. Jin Xiaozheng (金曉錚博士) will hold office until the AGM and, being eligible, will offer himself for re-election at the AGM.

Biographical details of the Directors are set out on pages 15 to 18 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. Chang Tat Joel resigned as a non-executive director of Healthoo International Technology Holdings Limited (formerly known as AID Partners Technology Holdings Limited), a company listed on the Stock Exchange (Stock Code: 8088) with effect from 10 November 2017.

(ii) Mr. Ho Gilbert Chi Hang resigned as an executive Director and the Chief Executive Officer of the Company and ceased to act as the Compliance Officer and the Authorised Representative of Healthoo International Technology Holdings Limited (formerly known as AID Partners Technology Holdings Limited), a company listed on the Stock Exchange (Stock Code: 8088) with effect from 1 January 2018.

(iii) Mr. Tsui Kun Lam Ivan was appointed as a director and a responsible officer of JCap Assets Management Limited with effect from 27 July 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 2017, 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), Ms. Ji Danyang (季丹陽女士) and Mr. Feng Luming (馮櫓銘先生), 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. Cao Jianguo (曹建國先生), Ms. Ji Danyang (季丹陽女士), who retired as a Director on 16 June 2017, and Mr. Feng Luming (馮櫓銘先生) 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 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 2017.

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 2017.

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

As at 31 December 2017, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) that was required to be 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "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 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, 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%
Ningbo Zhetao	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, Ningbo Zhetao and Hailiang Group were deemed to be interested in 1,207,207,299 Shares under the SFO.

The interests of Mr. Feng, Ningbo Zhetao, 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 2017 as required pursuant to section 336 of the SFO.

The related party transactions are set out in note 35 to the consolidated financial statements. All the 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.

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 2017 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 2017 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.

Report of the Directors

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 30 to 42 under the section headed "Corporate Governance Report" of this annual report.

On behalf of the Board

Cao Jianguo 曹建國
Chairman

Hong Kong, 23 March 2018

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 2017, 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 33 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 2017 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 of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considered 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 then Chairman of the Board (who ceased to be the Chairman of the Board with effect from the close of AGM held on 16 June 2017), was unable to attend the annual general meeting of the Company held on 16 June 2017 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 2017.

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 2017.

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 eight Directors. Out of the eight Directors, three of which are Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chairman), Mr. Feng Luming (馮櫓銘先生) (Chief Executive Officer) and Dr. Jin Xiaozheng (金曉錚先生) and the other five are Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang, Mr. Tsui Kun Lam Ivan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue.

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. Cao Jianguo (曹建國先生) 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.

BOARD OF DIRECTORS (Continued)

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.

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 2017, 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 2017, the then non-executive Director, namely Mr. Feng Hailiang (馮海良先生), all the Executive Directors, namely Mr. Cao Jianguo (曹建國先生) (Chairman), Mr. Feng Luming (馮櫓銘先生) (Chief Executive Officer) and Dr. Jin Xiaozheng (金曉錚先生) and the other five are Independent Non-executive Directors, namely Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang, Mr. Tsui Kun Lam Ivan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue have complied with Code Provision A.6.5 and have provided the Company with their respective training records pursuant to the CG Code.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

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 2017. 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:

Name of Directors	Attendance/Number of Meetings Board Meetings	Annual General Meeting of the Company held on 16 June 2017
Non-executive Director		
Mr. Feng Hailiang (馮海良先生) *(the then Chairman)* *(retired on 16 June 2017)*	0/1	0/1
Executive Directors		
Mr. Cao Jianguo (曹建國先生) *(the then Chief Executive Officer and the Chairman)* *(appointed as the Chairman and ceased to be the Chief Executive Officer with effect from 16 June 2017)*	2/2	0/1
Mr. Zhou Diyong (周迪永先生) *(retired on 16 June 2017)*	1/1	0/1
Ms. Ji Danyang (季丹陽女士) *(retired on 16 June 2017)*	1/1	0/1
Mr. Feng Luming (馮櫓銘先生) *(appointed as an Executive director with effect from 1 May 2017 and as the Chief Executive Officer with effect from 16 June 2017)*	0/1	1/1
Dr. Jin Xiaozheng (金曉錚先生) *(appointed with effect from 22 August 2017)*	N/A	N/A
Independent Non-executive Directors		
Mr. Chang Tat Joel	2/2	1/1
Mr. Ho Gilbert Chi Hang	2/2	1/1
Mr. Tsui Kun Lam Ivan	2/2	0/1
Dr. Chan Wing Mui Helen *(appointed with effect from 1 May 2017)*	1/1	1/1
Mr. Wang Cheung Yue *(appointed with effect from 1 May 2017)*	1/1	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 held by Mr. Cao Jianguo (曹建國先生) and the position of the Chief Executive Officer is held by Mr. Feng Luming (馮櫓銘先生).

NON-EXECUTIVE DIRECTORS

There are currently five 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 2017, 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 currently comprises three members, including three Independent Non-executive Directors, namely Mr. Ho Gilbert Chi Hang (Chairman), Mr. Chang Tat Joel and Mr. Tsui Kun Lam Ivan.

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 2017 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) *(retired on 16 June 2017)*	0
Ms. Ji Danyang (季丹陽女士) *(retired on 16 June 2017)*	0
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 currently comprises four members, including three Independent Non-executive Directors, namely Mr. Tsui Kun Lam Ivan (Chairman), Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang 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 2017 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) *(retired on 16 June 2017)*	N/A
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 2017 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 2016 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 2017 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.

Corporate Governance Report

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 2017. As at 31 December 2017, 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 2017 is set out in the "Independent Auditor's Report" on pages 53 to 55 of this annual report.

For the year ended 31 December 2017, remuneration payable to ZHONGHUI ANDA, for the provision of its audit services was HK$600,000. During the year, HK$120,000 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 2017.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

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 2017, 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 2017.

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 the Company Secretary of the Company from 23 February 2012 to 5 April 2018. 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 2017.

Ms. Ma Lingyun was appointed as the Company Secretary of the Company on 6 April 2018. The biographical details of Ms. Ma are set out under the section headed "Biographical Details of Directors and Senior Management" on page 18 of this annual report. Ms. Ma will take no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules during the financial year ending 31 December 2018.

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.

SHAREHOLDERS' RIGHTS (Continued)

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 2017, there was no change in the Company's constitutional documents.

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 civilization as its mission, the Group respects the talents and creativity, focuses on enhancing the social and human care on the products and also the responsibility for integrity, honesty, bringing industrial matrix and navigating forward.

This year, the Group is pleased to present its 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 2017 to 31 December 2017. For information regarding the governance section, please refer to the Corporate Governance Report in this annual report.

The Group 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 Group 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 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.

This report has primarily highlighted the major performance and disclosure implemented from 1 January 2017 to 31 December 2017 for the three environmental aspects and the eight social aspects. Foshan Lianchuang Hualian Electronics Company Limited (佛山聯創華聯電子有限公司) ("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 operating segment related to the environmental aspects. This report will cover the social aspects of all of the Group's operating 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 operations. 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.

Other air pollutants mainly include sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"), which have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. The Group generates other air pollutants through the use of its motor vehicles.

Gaseous Emissions from the Use of Motor Vehicles

Indicator	Unit	Total
NOx	Kg	48
SOx	Kg	0.14
PM	Kg	4.33

Greenhouse Gas ("GHG") Emissions from Operations

Indicator	Unit	Total
Direct emission from use of motor vehicles	Kg of Carbon dioxide ("CO_2")	25,186
Indirect emission from electricity consumption*	Kg of CO_2	250,832
Indirect emission from water consumption	Kg of CO_2	8,401
Indirect emission from disposal of paper waste at landfills	Kg of CO_2	1,200
Total	Kg of CO_2	274,086
GHG intensity	Kg of CO_2/M^2 of factory	31

* The emission factor is sourced from the China Southern Power Grid in 2016. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

Regarding measures to mitigate emissions, the Group closely monitors the level of energy consumption GHG emissions and waste disposed of its factory. Every year, the factory is required to set their respective energy and carbon reduction targets, and come up with feasible measures to achieve them. The details and results achieved are listed as follows:

Projects	Details and results achieved
Compact fluorescent lamp	Lightings in the factory has been installed compact fluorescent lamps which have saved up much electricity as compared with incandescent light lamp.
Water conservation	During the cleaning of factory, the cleaner was strictly control the usage of water and frequency of cleaning. As a result, consumption of water was saved.
Air-conditioners	The higher efficiency of air conditioners was selected in 2017, the relevant consumption of electricity was reduced.
Non-hazardous waste	Non-hazardous waste from the factory includes packaging materials of product, paper for office use and kitchen waste. The factory has made their best effort to minimising the impact on the environment by using recyclable raw materials or supplementary materials in the production process. The factory promotes separation of waste such as cartons and plastic bottles, which were placed in certain areas assigned to recycled suppliers for collection.

Environmental, Social and Governance Report

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have 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 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 operations 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 computers, 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.

Relevant consumptions from Operation

Indicator	Unit	Total
Energy Consumption		
Electricity consumption	kWh	816,775
Electricity consumption intensity	kWh/M^2 of factory	92
Water Consumption		
Water consumption	Cubic metre ("M^3")	12,001
Water consumption intensity	M^3/M^2 of factory	1
Paper Consumption		
Disposal of paper waster at landfills	Kg	250
Disposal of paper waster at landfills intensity	Kg/M^2 of factory	0.03

The Environment and Natural Resources

The business 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.

The impact on the environment and natural resources from the operations of the Group in PRC is minimal during the reporting period.

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 sustainability of the Group's business development.

Distribution of Workforce classified by Different Catalogues

Indicator	Unit	Total
By Gender		
Male	No. of people	49 (37%)
Female	No. of people	83 (63%)
Total	**No. of people**	**132 (100%)**
By Age Group		
Under 30	No. of people	72 (55%)
30-50	No. of people	57 (43%)
51 or above	No. of people	3 (2%)
Total	**No. of people**	**132 (100%)**
By Employment Position		
Senior level	No. of people	9 (7%)
Middle level	No. of people	19 (14%)
Entry level	No. of people	104 (79%)
Total	**No. of people**	**132 (100%)**

Compliance with relevant laws and regulations

The Group is not aware of any material non-compliance with the relevant laws and regulations that have 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 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 employees 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 or 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 polices to prevent of occupational diseases. As a result, the Group can effectively protect the health and safety of its 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 have 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 in which 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 employees, 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 employees, 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 have 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 suppliers.

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, purchase of raw materials, production and delivery. 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 aspects.

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 employees, external 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 have 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 the relevant laws and regulations that have 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.

Independent Auditor's Report

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 56 to 118, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, 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 2017, 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.

PROPERTIES FOR SALE UNDER DEVELOPMENT

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of properties for sale under development for impairment. This impairment test is significant to our audit because the balance of properties for sale under development of approximately HK$224,166,000 as at 31 December 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Obtaining and evaluating the Group's impairment assessment;

– Assessing the net realisable values of the properties for sale under development; and

– Discussing with management their calculation by comparing the costs to, where available, recently transacted prices for similar properties or the price of comparable properties located in the vicinity of the development.

We consider that the Group's impairment test for properties for sale under development 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
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353

Hong Kong, 23 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6 & 9	**702,432**	200,080
Cost of sales		**(683,143)**	(194,645)
Gross profit		**19,289**	5,435
Other income	7	**8,609**	1,740
Other net gain/(loss)	7	**32**	(1,415)
Selling and distribution expenses		**(1,266)**	(920)
Administrative expenses		**(20,345)**	(22,050)
Impairment loss on trade receivables	23(a)	**–**	(2,993)
Profit/(loss) from operations		**6,319**	(20,203)
Finance costs	8	**(8)**	(10)
Profit/(loss) before taxation		**6,311**	(20,213)
Income tax	10	**1,029**	2,535
Profit/(loss) for the year	11	**7,340**	(17,678)
Attributable to:			
Owners of the Company		**5,321**	(15,896)
Non-controlling interests		**2,019**	(1,782)
Profit/(loss) for the year		**7,340**	(17,678)
Earnings/(loss) per share	15		
Basic (HK cent(s) per share)		**0.33**	(0.99)
Diluted (HK cent(s) per share)		**0.33**	(0.99)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year	*11*	**7,340**	(17,678)
Other comprehensive income/(expenses) for the year, net of tax:			
Item that will not be reclassified to profit or loss:			
Fair value change on financial assets at fair value through other comprehensive income		**(11,991)**	(15,819)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**20,962**	(3,684)
Other comprehensive income/(expenses) for the year		**8,971**	(19,503)
Total comprehensive income/(expenses) for the year		**16,311**	(37,181)
Attributable to:			
Owners of the Company		**13,556**	(34,824)
Non-controlling interests		**2,755**	(2,357)
Total comprehensive income/(expenses) for the year		**16,311**	(37,181)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	16	**33,836**	4,404
Intangible assets	17	**22**	72
Non-current prepayments	18	**–**	16,054
Financial assets at fair value through other comprehensive income	19	**85,757**	97,740
Deferred tax assets	20(b)	**9,494**	6,848
		129,109	125,118
Current assets			
Inventories	21	**7,076**	22,670
Properties for sale under development	22	**224,166**	204,964
Trade and bill receivables	23(a)	**23,641**	16,429
Prepayments, deposits and other receivables	23(b)	**5,681**	7,016
Due from a non-controlling shareholder of a subsidiary	25(a)	**1,130**	–
Pledged bank deposits		**2,677**	2,450
Bank and cash balances		**165,189**	70,369
		429,560	323,898
Current liabilities			
Trade payables	24	**18,583**	25,820
Accruals, other payables and deposits received		**9,134**	5,432
Due to a controlling shareholder of the Company	25(b)	**93,779**	–
Obligations under finance leases	26	**60**	52
Current taxation	20(a)	**880**	–
		122,436	31,304
Net current assets		**307,124**	292,594
Total assets less current liabilities		**436,233**	417,712
Non-current liabilities			
Obligations under finance leases	26	**74**	123
NET ASSETS		**436,159**	417,589

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	27	**16,111**	16,111
Reserves	28	**407,277**	393,745
Equity attributable to owners of the Company		**423,388**	409,856
Non-controlling interests		**12,771**	7,733
TOTAL EQUITY		**436,159**	417,589

The consolidated financial statements on pages 56 to 118 are approved and authorised for issue by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Cao Jianguo
Director

Jin Xiaozheng
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 2017

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	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 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
At 1 January 2017	**16,111**	**500,444**	**(15,819)**	**89**	**(6,926)**	**(84,043)**	**409,856**	**7,733**	**417,589**
Total comprehensive (expenses)/ income for the year	**–**	**–**	**(11,991)**	**–**	**20,226**	**5,321**	**13,556**	**2,755**	**16,311**
	16,111	**500,444**	**(27,810)**	**89**	**13,300**	**(78,722)**	**423,412**	**10,488**	**433,900**
Equity transaction with non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(24)**	**(24)**	**24**	**–**
Capital injection by a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,259**	**2,259**
At 31 December 2017	**16,111**	**500,444**	**(27,810)**	**89**	**13,300**	**(78,746)**	**423,388**	**12,771**	**436,159**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation		**6,311**	(20,213)
Adjustments for:			
Amortisation	*11*	**50**	50
Depreciation	*11*	**1,556**	1,051
Bank interest income	*7*	**(168)**	(332)
Foreign exchange (gain)/loss		**(47)**	860
Finance costs	*8*	**8**	10
Dividend income from financial assets at fair value through other comprehensive income	*7*	**(6,089)**	–
Impairment loss on trade receivables	*11*	**–**	2,993
Write down of inventories	*11*	**–**	1,730
Reversal of write-down of inventories	*11*	**(2,374)**	–
Operating cash flows before working capital changes		**(753)**	(13,851)
Change in inventories		**17,968**	10,329
Change in properties for sale under development		**(153)**	(1,273)
Change in trade and bill receivables		**(7,212)**	(4,833)
Change in prepayments, deposits and other receivables		**2,425**	7,442
Change in trade payables		**(7,237)**	(6,189)
Change in accruals, other payables and deposits received		**3,702**	2,531
Change in amount due to a non-controlling shareholder of a subsidiary		**–**	(1,674)
Cash generated from/(used in) operations		**8,740**	(7,518)
Overseas tax paid		**(66)**	–
Net cash generated from/(used in) operating activities		**8,674**	(7,518)
Cash flows from investing activities			
Bank interest received		**168**	332
Dividend income from financial assets at fair value through other comprehensive income		**6,089**	–
Purchase of financial assets at fair value through other comprehensive income		**–**	(111,727)
Payments of transaction costs on purchase of financial assets at fair value through other comprehensive income		**(8)**	(1,832)
Increase in non-current prepayments		**–**	(16,054)
Purchase of property, plant and equipment		**(14,599)**	(239)
Increase in amount due from a non-controlling shareholder of a subsidiary	*25(b)*	**(1,130)**	–
Net cash used in investing activities		**(9,480)**	(129,520)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Increase in amount due to a controlling shareholder of the Company	25(a)	**93,219**	–
Capital injection by a non-controlling shareholder of a subsidiary		**1,169**	–
Capital element of obligations under finance leases		**(56)**	(51)
Interest element of obligations under finance leases		**(8)**	(10)
Net cash generated from/(used in) financing activities		**94,324**	(61)
Net increase/(decrease) in cash and cash equivalents		**93,518**	(137,099)
Effect of change in foreign exchange rate		**1,302**	(862)
Cash and cash equivalents at beginning of year		**70,369**	208,330
Cash and cash equivalents at end of year		**165,189**	70,369
Analysis of cash and cash equivalents			
Bank and cash balances		**165,189**	70,369

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.

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 2017 and early adopted HKFRS 9 (2014), *Financial Instruments*. 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, presentation of the Group's financial statements and amounts reported for the current year and prior years, except as stated below.

HKFRS 9 (2014), *Financial Instruments*

The Group has early adopted HKFRS 9 (2014). Available-for-sale financial assets are now classified as financial assets at fair value through other comprehensive income.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the amounts reported in the consolidated financial statements as follows:

	31 December 2016 *HK$'000*	1 January 2016 *HK$'000*
Decrease in available-for-sale financial assets	(97,740)	–
Increase in financial assets at fair value through other comprehensive income	97,740	–

The Group has not applied the other 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 (Chapter 622 of the Laws of Hong Kong).

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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 and loss and 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 and loss and 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

Land and buildings	2.0%
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 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 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 profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset 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 investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Financial assets at fair value through other comprehensive income

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowances for expected credit losses.

(ii) Financial assets at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the financial assets revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the financial assets revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets 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 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to the Group and the amount of revenue can be measured reliably.

Revenue 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.

Dividend income is recognised when the shareholders' rights to receive payment are established.

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 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 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 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 recognised in 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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$"), Renminbi ("RMB") and Singapore dollars ("SGD"). 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.

	2017		2016	
	Assets *HK$'000*	**Liabilities** *HK$'000*	Assets *HK$'000*	Liabilities *HK$'000*
AUD	**197,142**	**–**	171,103	–
US$	**145,933**	**(96,158)**	50,579	(9,495)
HK$	**–**	**(13,818)**	–	(10,580)
RMB	**81**	**–**	75	–
SGD	**6,322**	**–**	–	–

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 and SGD.

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 exchange rates.

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

	2017			2016		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax *HK$'000*	Effect on accumulated losses *HK$'000*	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax *HK$'000*	Effect on accumulated losses *HK$'000*
AUD	5%	9.857	9.857	5%	(8,555)	(8,555)
	(5%)	(9.857)	(9.857)	(5%)	8,555	8,555
HK$	5%	(691)	(691)	5%	(529)	(529)
	(5%)	691	691	(5%)	529	529
SGD	5%	312	(312)	5%	–	–
	(5%)	(312)	312	(5%)	–	–

b) Price risk

The Group's financial assets at fair value through other comprehensive income 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 2017, if the share prices of the financial assets at fair value through other comprehensive income increase/decrease by 10%, other comprehensive income for the year would have been approximately HK$8,576,000 (2016: HK$9,774,000) higher/lower, arising as a result of the fair value gain/loss on the financial assets at fair value through other comprehensive income.

c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2017 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

c) Credit risk (Continued)

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

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the customer;

– significant increases in credit risk on other financial instruments of the same customer;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 120 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

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 *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
At 31 December 2017						
Trade payables	**–**	**18,583**	**–**	**–**	**18,583**	**18,583**
Accruals and other payables	**–**	**7,762**	**–**	**–**	**7,762**	**7,762**
Due to a controlling shareholder of the Company	**–**	**93,779**	**–**	**–**	**93,779**	**93,779**
Obligations under finance leases	**4.95%**	**65**	**65**	**11**	**141**	**134**
		120,189	**65**	**11**	**120,265**	**120,258**
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

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

	2017 ***HK$'000***	2016 *HK$'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**197,533**	95,488
Financial assets at fair value through other comprehensive income	**85,757**	97,740
	283,290	193,228
Financial liabilities:		
Financial liabilities at amortised cost	**120,124**	30,756

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 judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Group's financial assets at fair value through other comprehensive income are carried at fair value as at 31 December 2017 and 2016.

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:

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017				
Financial assets at fair value through other comprehensive income:				
Listed securities in Singapore	**85,757**	**–**	**–**	**85,757**
At 31 December 2016				
Financial assets at fair value through other comprehensive income:				
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:

	2017 HK$'000	2016 HK$'000
Sale of metals and semiconductors and related products	**644,158**	148,930
Development and provision of electronic turnkey device solutions	**54,689**	49,739
Property development	**3,585**	1,411
	702,432	200,080

7. OTHER INCOME AND OTHER NET GAIN/(LOSS)

	2017 HK$'000	2016 HK$'000
Other income		
Dividend income from financial assets at fair value through other comprehensive income – investments held at the end of reporting period	**6,089**	–
Bank interest income	**168**	332
Rental income	**1,501**	1,355
Sundry income	**851**	53
	8,609	1,740
Other net gain/(loss)		
Net foreign exchange gain/(loss)	**32**	(1,415)

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on obligations under finance leases	**8**	10

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

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 and other net gain/(loss), unallocated corporate expenses, finance costs and income tax. 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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Years ended 31 December								
Revenue from external customers	**644,158**	148,930	**54,689**	49,739	**3,585**	1,411	**702,432**	200,080
Segment profit/(loss) before finance costs and income tax	**8,915**	633	**3,948**	(3,652)	**(3,068)**	(4,898)	**9,795**	(7,917)
Bank interest income	**10**	14	**19**	14	**138**	298	**167**	326
Interest expense on obligations under finance leases	**–**	–	**–**	–	**(8)**	(10)	**(8)**	(10)
Depreciation	**(8)**	(28)	**(848)**	(867)	**(73)**	(70)	**(929)**	(965)
Impairment loss on trade receivables	**–**	–	**–**	(2,993)	**–**	–	**–**	(2,993)
Write down of inventories	**–**	–	**–**	(1,730)	**–**	–	**–**	(1,730)
Reversal of write-down of inventories	**401**	–	**1,973**	–	**–**	–	**2,374**	–
Capital expenditures	**–**	–	**911**	238	**91**	–	**1,002**	238
As at 31 December								
Segment assets	**167,426**	69,284	**44,687**	36,058	**241,430**	221,393	**453,543**	326,735
Segment liabilities	**96,993**	9,560	**21,269**	18,865	**3,394**	2,087	**121,656**	30,512

9. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit/(loss), assets and liabilities are as follows:

	2017 HK$'000	2016 HK$'000
Profit/(loss)		
Total profit/(loss) of reportable segments	**9,795**	(7,917)
Unallocated amounts:		
Unallocated corporate other income and other net gain/(loss)	**6,122**	(1,052)
Unallocated corporate expenses	**(9,598)**	(11,234)
Profit/(loss) from operations	**6,319**	(20,203)
Finance costs	**(8)**	(10)
Profit/(loss) before taxation	**6,311**	(20,213)

	2017 HK$'000	2016 HK$'000
Assets		
Total assets of reportable segments	**453,543**	326,735
Unallocated corporate assets	**105,126**	122,281
Total assets	**558,669**	449,016

	2017 HK$'000	2016 HK$'000
Liabilities		
Total liabilities of reportable segments	**121,656**	30,512
Unallocated corporate liabilities	**854**	915
Total liabilities	**122,510**	31,427

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 financial assets at fair value through other comprehensive income ("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 financial assets at fair value through other comprehensive income, 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**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**644,158**	148,930	**29,114**	16,203
The People's Republic of China (the "PRC") except Hong Kong	**54,689**	49,739	**4,436**	4,064
Australia	**3,585**	1,411	**308**	263
Singapore	**–**	–	**85,757**	97,740
Total	**702,432**	200,080	**119,615**	118,270

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

	2017	2016
	HK$'000	*HK$'000*
Sale of metals and semiconductors and related products		
Customer A	**452,885**	54,228
Customer B	**–**	35,261
Customer C	**–**	26,575
Customer D	**126,139**	–

10. INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**773**	–
Current tax – Overseas		
Provision for the year	**166**	–
Deferred tax *(note 20(b))*	**(1,968)**	(2,535)
	(1,029)	(2,535)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017. No provision for Hong Kong Profits Tax had been made for the year ended 31 December 2016 as the did not have any assessable profits during that year.

Taxation for overseas subsidiaries for the year ended 31 December 2017 is charged as the appropriate current rates of taxation ruling in the relevant countries . No provision for overseas tax had been made for the year ended 31 December 2016 as the Group did not have any assessable profits arising outside Hong Kong during that year.

10. INCOME TAX (Continued)

The reconciliation between the income tax and the profit/(loss) before taxation is as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**6,311**	(20,213)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**1,041**	(3,335)
Tax effect of expenses that are not deductible	**293**	312
Tax effect of income that is not taxable	**(1,012)**	(3)
Tax effect of tax losses not recognised	**350**	1,936
Tax effect of utilisation of previously unrecognised tax losses	**(1,010)**	(95)
Tax effect of different tax rates of subsidiaries	**(549)**	(1,449)
Others	**(142)**	99
	(1,029)	(2,535)

11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is arrived at after charging /(crediting) the following:

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**600**	600
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	**17,077**	14,982
Retirement benefits scheme contributions	**1,050**	916
	18,127	15,898
Cost of inventories sold	**680,195**	191,689
Amortisation *(note 17)*	**50**	50
Depreciation *(note 16)*	**1,556**	1,051
Impairment loss on trade receivables *(note 23(a))*	**–**	2,993
Write down of inventories	**–**	1,730
Reversal of write-down of inventories	**(2,374)**	–
Research and development costs (other than amortisation costs)	**543**	–
Operating lease charges on land and buildings	**2,708**	3,574

Cost of inventories sold included staff costs, depreciation and operating lease charges totalling approximately HK$9,059,000 (2016: approximately HK$6,222,000) 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 HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director						
Cao Jianguo	–	590	–	–	36	626
Zhou Diyong *(Note (a))*	–	90	–	–	9	99
Ji Danyang *(Note (a))*	–	90	–	–	9	99
Feng Hailiang *(Note (a))*	300	–	–	–	18	318
Chang Tat Joel	107	–	–	–	–	107
Ho Gilbert Chi Hang	107	–	–	–	–	107
Tsui Kun Lam Ivan	107	–	–	–	–	107
Feng Luming *(Note (b))*	–	305	–	–	23	328
Jin Xiaozheng *(Note (c))*	–	70	–	–	6	76
Chan Wing Mui Helen *(Note (b))*	73	–	–	–	–	73
Wang Cheung Yue *(Note (b))*	73	–	–	–	–	73
Total for 2017	**767**	**1,145**	**–**	**–**	**101**	**2,013**

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of Director						
Cao Jianguo	–	520	–	–	36	556
Zhou Diyong *(Note (a))*	–	195	–	–	19	214
Ji Danyang *(Note (a))*	–	195	–	–	19	214
Feng Hailiang *(Note (a))*	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

Notes:

(a) Resigned on 16 June 2017

(b) Appointed on 1 May 2017

(c) Appointed on 22 August 2017

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 one (2016: zero) Director whose remunerations are reflected in the analysis presented above. The remunerations of the four (2016: five) individuals are set out below:

	2017 **HK$'000**	2016 HK$'000
Basic salaries and allowances	**4,400**	4,831
Retirement benefit scheme contributions	**318**	359
	4,718	5,190

The remunerations of the four (2016: five) individuals with the highest remunerations are within the following bands:

	2017 **Number of individuals**	2016 Number of individuals
Nil - HK$1,000,000	**1**	2
HK$1,000,001 - HK$1,500,000	**2**	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 four 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 four highest paid individuals.

The remunerations of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

	2017 **Number of individuals**	2016 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 2017 (2016: Nil).

15. EARNINGS/(LOSS) PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss):		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share attributable to owners of the Company	**5,321**	(15,896)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	**1,611,111**	1,611,111

The basic and diluted earnings/(loss) per share for the years ended 31 December 2017 and 2016 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

16. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Land and buildings HK$'000	Machinery HK$'000	Computer & office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost						
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 and 1 January 2017	–	6,199	1,133	787	721	8,840
Additions	29,132	558	256	15	692	30,653
Disposals	–	–	–	–	(135)	(135)
Exchange differences	–	491	77	64	52	684
At 31 December 2017	**29,132**	**7,248**	**1,466**	**866**	**1,330**	**40,042**
Accumulated depreciation						
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 and 1 January 2017	–	3,007	571	274	584	4,436
Charge for the year	510	658	149	96	143	1,556
Written back on disposals	–	–	–	–	(135)	(135)
Exchange differences	–	254	34	25	36	349
At 31 December 2017	**510**	**3,919**	**754**	**395**	**628**	**6,206**
Carrying amount						
At 31 December 2017	**28,622**	**3,329**	**712**	**471**	**702**	**33,836**
At 31 December 2016	–	3,192	562	513	137	4,404

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:

	2017 *HK$'000*	2016 *HK$'000*
Cost — capitalised finance leases	**248**	227
Accumulated depreciation	**(86)**	(51)
	162	176

17. INTANGIBLE ASSETS

	Webpage design and development ***HK$'000***
Cost	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	150
Accumulated amortisation	
At 1 January 2016	28
Charge for the year	50
At 31 December 2016 and 1 January 2017	78
Charge for the year	50
At 31 December 2017	**128**
Carrying amount	
At 31 December 2017	**22**
At 31 December 2016	72

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

18. NON-CURRENT PREPAYMENTS

	2017	2016
	HK$'000	*HK$'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 transaction was completed on 15 February 2017. The property is currently used by the Group for office use.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017	2016
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Singapore	**85,757**	97,740
Analysed as:		
Non-current assets	**85,757**	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 quotation of and dealing in 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 2017, the Group held approximately 1.75% (2016: 1.76%) of the total issued share capital of China Jinjiang (after taking into account of the exercise of the Over-allotment Option).

The above investment is intended to be held for medium to long-term. Designation of the investment as financial assets at fair value through other comprehensive income can avoid the volatility of the fair value changes of the investment to profit or loss.

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

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 **HK$'000**	2016 HK$'000
Provision for Hong Kong Profits Tax for the year	**773**	–
Provision for overseas tax	**107**	–
	880	–

(b) 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 2016	4,456
Credited to the consolidated profit or loss *(note 10)*	2,535
Exchange differences	(143)
At 31 December 2016 and 1 January 2017	6,848
Credited to the consolidated profit or loss *(note 10)*	1,968
Exchange differences	678
At 31 December 2017	**9,494**

(c) 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$18,781,000 (2016: approximately HK$26,120,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK$2,216,000 (2016: approximately HK$9,516,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

21. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**2,501**	2,494
Work in progress	**3,057**	2,623
Finished goods	**1,518**	17,553
	7,076	22,670

22. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	HK$'000
At 1 January 2016	206,903
Additions	1,273
Exchange differences	(3,212)
At 31 December 2016 and 1 January 2017	204,964
Additions	153
Exchange differences	19,049
At 31 December 2017	**224,166**

As at 31 December 2017, 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 of the Company (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 as properties for sale under development is as follows:

	2017	2016
	HK$'000	*HK$'000*
Outside Hong Kong		
– Freehold	**207,382**	189,750

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

(a) Trade and bill receivables

	2017	2016
	HK$'000	*HK$'000*
Trade and bill receivables	**29,826**	22,310
Less: Provision for loss allowance	**(6,185)**	(5,881)
	23,641	16,429

The Group's trading terms with its customers of the business of sale of semiconductors and related products, and development and provision of electronic turnkey device solutions 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 business of sale of metals, 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:

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**17,690**	11,461
31 days to 60 days	**2,937**	2,386
61 days to 90 days	**1,045**	844
91 days to 120 days	**342**	326
Over 120 days	**1,627**	1,412
	23,641	16,429

The balance of trade and bill receivables included an amount of approximately HK$246,000 (2016: approximately HK$340,000) in relation to bill receivables as at 31 December 2017.

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:

	2017 **HK$'000**	2016 HK$'000
US$	**–**	43
RMB	**23,641**	16,386
	23,641	16,429

Movement of loss allowance for trade and bill receivables:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**5,881**	3,104
Increase in loss allowance for the year *(note 11)*	**–**	2,993
Exchange differences	**304**	(216)
At 31 December	**6,185**	5,881

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 30 days past due	Over 60 days past due	Over 120 days past due	Total
At 31 December 2017					
Expected loss rate	**–**	**–**	**–**	**80%**	
Receivable amount *(HK$'000)*	**17,690**	**2,937**	**1,387**	**7,812**	**29,826**
Loss allowance *(HK$'000)*	**–**	**–**	**–**	**(6,185)**	**(6,185)**
At 31 December 2016					
Expected loss rate	–	–	–	80%	
Receivable amount *(HK$'000)*	11,461	2,386	1,170	7,293	22,310
Loss allowance *(HK$'000)*	–	–	–	(5,881)	(5,881)

(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$145,000 (2016: approximately HK$123,000).

24. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
30 days or less	**9,991**	9,520
31 days to 60 days	**3,682**	3,378
61 days to 90 days	**865**	1,613
91 days to 120 days	**785**	9,030
Over 120 days	**3,260**	2,279
	18,583	25,820

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

	2017	2016
	HK$'000	*HK$'000*
US$	**2,378**	9,495
RMB	**16,205**	16,325
	18,583	25,820

25. DUE FROM/(TO) A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A CONTROLLING SHAREHOLDER OF THE COMPANY

(a) The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

(b) The amount due to a controlling shareholder of the Company is unsecured, interest-free and repayable on demand.

26. OBLIGATIONS UNDER FINANCE LEASES

	2017		2016	
	Minimum lease lease payments HK$'000	Present value of minimum lease payments HK$'000	Minimum lease lease payments HK$'000	Present value of minimum lease payments HK$'000
Within one year	65		60	52
In the second to fifth year inclusive	76		129	123
	141		189	175
Less: Future finance charges	(7)		(14)	
Present value of lease obligations	134		175	
The present value of future lease payments are analysed as:				
Current liabilities		60		52
Non-current liabilities		74		123
		134		175

The average lease term is 5 years (2016: 5 years). At 31 December 2017, the average effective borrowing rate was 4.95% (2016: 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.

	2017	2016
	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 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,611,111	16,111

28. RESERVES

a) The Group

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

28. RESERVES (Continued)

b) The Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
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
At 1 January 2017	500,444	(63,884)	436,560
Total comprehensive income for the year	–	24,423	24,423
At 31 December 2017	**500,444**	**(39,461)**	**460,983**

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) Financial assets revaluation reserve

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income 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 2017 and 2016 and no share options were outstanding as at 31 December 2017 and 2016.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Finance lease payables *HK$'000*	Due to a controlling shareholder of the Company *HK$'000*	Total liabilities from financing activities *HK$'000*
At 1 January 2016	229	–	229
Changes in cash flows	(61)	–	(61)
Non-cash change			
– exchange differences	7	–	7
At 31 December 2016 and 1 January 2017	175	–	175
Changes in cash flows	(64)	93,219	93,155
Non-cash change			
– exchange differences	23	560	583
At 31 December 2017	**134**	**93,779**	**93,913**

31. CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

32. PLEDGE OF ASSETS

As at 31 December 2017, except for pledged bank deposits and motor vehicle with carrying amounts of HK$2,677,000 (2016: HK$2,450,000) and HK$162,000 (2016: HK$176,000) respectively, the Group did not have other significant assets under pledge (2016: Nil).

33. 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:

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**2,577**	3,928
In the second to fifth year inclusive	**54**	2,078
	2,631	6,006

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.

33. 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

	2017 **HK$'000**	2016 HK$'000
Within one year	**129**	246

(b) As lessee and sub-lessor

	2017 **HK$'000**	2016 HK$'000
Within one year	**789**	1,294
In the second to fifth year inclusive	**–**	713
	789	2,007

34. CAPITAL COMMITMENTS

The Group's capital commitments outstanding at the end of the reporting period and not provided for in the consolidated financial statements were as follows:

	2017 **HK$'000**	2016 HK$'000
Contracted for:		
Purchase of property, plant and equipment	**–**	13,592
Authorised but not contracted for:		
Capital contribution to a subsidiary	**1,681**	–

35. RELATED PARTY TRANSACTIONS

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

	2017	2016
	HK$'000	*HK$'000*
Compensation of key management personnel		
Short-term benefits	**1,912**	1,860
Post-employment benefits	**101**	110
	2,013	1,970
Sharing of administrative services charge with a fellow subsidiary *(note)*	**–**	16
Sharing of rental charge with a fellow subsidiary *(note)*	**–**	95

Note: These related party transactions constituted continuing connected trasnactions (the "CCT") as defined in Chapter 14A of the Listing Rules. However, these transactions were 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 2017, the Group sold raw materials to a non-controlling shareholder of a subsidiary totalling approximately HK$484,000 which constitutes connected transaction under the Listing Rules. However, the transaction is exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

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 which were the CCT under the Listing Rules. An independent report on the CCT issued by the Company's auditor was disclosed in the Report of the Directors.

36. EVENTS AFTER THE REPORTING PERIOD

There are no significant events 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 2017 were as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Global Winner Enterprises Limited	Hong Kong	HK$1	–	100%	Sale of semiconductors and related products
Onetech Technology Company Limited	Hong Kong	HK$100	–	100%	Investment holding
Sable International Limited	Hong Kong	HK$1	–	100%	Sale of metals
Ample Go Limited	Hong Kong	HK$1	–	100%	Investment holding
勝沃數碼電子（深圳）有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited) ("Sheng Wo Digital")	The PRC	Paid-up capital of HK$3,000,000	–	100%	Development and provision of electronic turnkey device solutions

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 2017 were as follows: (Continued)

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianhuang Hualian")	The PRC	Paid-up capital of RMB21,910,000	–	50.21%	Development and provision of electronic turnkey device solutions
佛山中科維拉科技有限公司 (literally translated as Foshan Zhongke Weila Technology Company Limited) ("Foshan Zhongke Weila")	The PRC	Paid-up capital of RMB2,000,000	–	68.00%	Sale of electronic turnkey device solution products
Hailiang Property Group Australia Pty Ltd	Australia	10,000ordinary shares of AUD1 each	100%	–	Property development
Hailiang Property Campsie Pty Ltd	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 is a wholly foreign-owned enterprise established in the PRC on 24 June 2010 for a period of 20 years.

Foshan Zhongke Weila is an enterprise established in the PRC for permanent. This company is jointly owned by Foshan Lianchuang Hualian, an indirect non-wholly owned subsidiary of the Company, 深圳市維拉電子有限公司 (literally translated as Shenzhen Weila Electronics Company Limited) as to 68% and 32% respectively.

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

(b) Details of non-wholly owned subsidiary that has 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 registration	**The PRC**	
	2017	2016
% of ownership interest/voting rights held by NCI	**49.79%**	49.79%
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**6,305**	4,064
Current assets	**34,912**	30,363
Current liabilities	**(20,923)**	(18,850)
Net assets	**20,294**	15,577
Carrying amount of NCI	**10,104**	7,756
Years ended 31 December:		
Revenue	**53,654**	49,739
Profit/(loss) for the year	**3,400**	(3,567)
Profit/(loss) allocated to NCI	**1,693**	(1,776)
Total comprehensive income/(expenses)	**1,317**	(4,721)
Total comprehensive income/(expenses) allocated to NCI	**656**	(2,351)
Net cash generated from operating activities	**534**	4,372
Net cash used in investing activities	**(375)**	(236)
Net increase in cash and cash equivalents	**159**	4,136

(c) Significant restriction

As at 31 December 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$4,834,000 (2016: approximately HK$4,066,000). 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	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**472**	69
Non-current prepayments		**–**	342
Intangible assets		**22**	72
Interests in subsidiaries *(note a)*	*37*	**281,923**	252,646
		282,417	253,129
Current assets			
Due from subsidiaries *(note b)*		**198,570**	199,007
Prepayments, deposits and other receivables		**395**	948
Bank and cash balances		**3,227**	7,349
		202,192	207,304
Current liabilities			
Due to a subsidiary		**6,676**	6,862
Accruals and other payables		**839**	900
		7,515	7,762
Net current assets		**194,677**	199,542
Total assets less current liabilities		**477,094**	452,671
NET ASSETS		**477,094**	452,671
Capital and reserves			
Share capital	*27*	**16,111**	16,111
Reserves	*28(b)*	**460,983**	436,560
TOTAL EQUITY		**477,094**	452,671

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

Notes:

(a) Interests in subsidiaries

	2017	2016
	HK$'000	*HK$'000*
Unlisted investments, at cost	**70,963**	70,963
Loan to a subsidiary	**173,219**	158,492
Amount due from a subsidiary	**37,741**	23,191
	281,923	252,646

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 23 March 2018.

Particulars of Major Properties and Property Interests

As at 31 December 2017

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				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	HK$'000
RESULTS					
Revenue	231,191	71,375	142,562	200,080	**702,432**
(Loss)/Profit for the year	(1,414)	(12,826)	(17,614)	(17,678)	**7,340**
(Loss)/Profit attributable to:					
Owners of the Company	353	(11,419)	(16,367)	(15,896)	**5,321**
Non-controlling interests	(1,767)	(1,407)	(1,247)	(1,782)	**2,019**
	(1,414)	(12,826)	(17,614)	(17,678)	**7,340**

	As at 31 December				
	2013	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	209,245	186,628	491,583	449,016	**558,669**
Total liabilities	(39,637)	(30,336)	(36,813)	(31,427)	**(122,510)**
	169,608	156,292	454,770	417,589	**436,159**
Equity attributable to owners of the Company	156,188	144,362	444,680	409,856	**423,388**
Non-controlling interests	13,420	11,930	10,090	7,733	**12,771**
	169,608	156,292	454,770	417,589	**436,159**