

**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 **2019**

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## 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

### CREDIT COMMITTEE

Mr. Feng Luming (馮櫓銘先生) (*Chairman*)  
Dr. Jin Xiaozheng (金曉錚博士)

### COMPANY SECRETARY

Mr. Pang Ka Fai Angus

### 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  
Second Floor, Century Yard, Cricket Square  
P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 54, 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 2019.

### BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group recorded revenue of HK\$476,042,000, representing a decrease of 51% as compared with the same period in 2018 (2018: HK\$976,993,000), and gross profit decreased by 37% to HK\$7,448,000 as compared with the same period in 2018 (2018: HK\$11,749,000). Owing to a decrease in both revenue and gross profit as the result of the fierce competition in overall trading business, the Group recorded a loss of HK\$11,233,000 (2018: HK\$933,000) and other comprehensive income of HK\$15,407,000 for the year (2018: other comprehensive expenses of HK\$53,562,000). Basic loss per share was HK0.60 cent (2018: HK0.03 cent).

The Group has strategically launched its metal trading business since 2015, leveraging the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Limited) ("Hailiang Group"), a controlling shareholder, in the People's Republic of China (the "PRC"). During the year under review, despite the difficult operating environment, the Group consolidated its business relationship with its customers and suppliers and satisfied the needs of its business partners and customers.

### PROSPECTS

Affected by the outbreak of novel coronavirus and global trade protectionism, global economic activities become more complex and severe in 2020, which posed negative impact on the metal trading and electronic industry in general, the Group is endeavouring to alleviate such adverse impact, including but not limited to maintaining contact with customers and suppliers to adjust time schedule favourable for production and product delivery, while at the same time implementing cost control measures to mitigate the impacts of the epidemic on the operation and financial performance of the Group. The Board will continue to evaluate the impact of the epidemic on the operation and financial performance of the Group, and will, if necessary, make further announcement as and when appropriate.

The Group has been managing its business prudently and expanding its business ventures, particularly strengthening its sales and marketing force with respect to metal trading business, with emphasis on serving the needs of different customers in different geographical markets, so as to maintain continual development and establish its foothold in the overseas markets.

## Chairman's Statement

The Board also continued to pursue development of its property project in Sydney, Australia and explore other merger and acquisition opportunities favourable to the continual development strategy of the Group, with a view to enhance growth prospect of the Group and generating return to the shareholders of the Company (the "Shareholders"). If materialised, 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").

### 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 banks, 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, 27 March 2020

# Management Discussion and Analysis

## BUSINESS OVERVIEW

For the year ended 31 December 2019, the Group continued to engage in the business of sale of metals and development and provision of electronic turnkey device solutions. At the same time, the Group is continuously engaging in the business of property development in Australia with various possibilities under consideration.

## RESULTS OF THE GROUP

For the year ended 31 December 2019, the Group reported revenue of HK\$476,042,000, representing a 51% decrease as compared with the same period in 2018 (2018: HK\$976,993,000) and gross profit of HK\$7,448,000, representing a 37% decrease as compared with the same period in 2018 (2018: HK\$11,749,000). The Group reported loss of HK\$11,233,000 (2018: HK\$933,000) and other comprehensive income of HK\$15,407,000 (2018: other comprehensive expenses of HK\$53,562,000), comprising exchange loss arising from translating foreign operations of HK\$2,536,000 (2018: HK\$24,131,000) and unrealised fair value gain on the investment in the ordinary shares (the "Jinjiang Shares") of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) ("China Jinjiang") (formerly known as China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司)) of HK\$17,943,000 (2018: unrealised fair value loss of HK\$29,431,000), which led to the result that the Group recorded total comprehensive income of HK\$4,174,000 for the year ended 31 December 2019 (2018: total comprehensive expenses of HK\$54,495,000). The loss attributable to owners of the Company for the year ended 31 December 2019 was HK\$10,825,000 (2018: HK\$485,000); whereas basic loss per share was HK0.60 cent (2018: HK0.03 cent).

In general, the rather disappointing Group's financial performance compared to the same period in 2018 was mainly attributable to the significant decrease in revenue and gross profit of the Group as a result of significant decrease in the segment margins of the Group's businesses due to (i) the significant drop in revenue and gross margin of metal trading business, which was accounted for over 80% of the total revenue of the Group, as a result of the severe competition throughout global market and market downturn, and (ii) no distribution of dividend for the financial year 2019 from China Jinjiang. On the other hand, the significant fair value gain on the investment in the Jinjiang Shares recognised under the other comprehensive income of the Group was mainly due to the increase in the share price of the Jinjiang Shares since the beginning of 2019.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Sale of Metals

The Group has put most of the efforts on metal trading business during the year under review by leveraging on the market experience of Hailiang Group to sell metals such as copper and nickel to customers since 2015.

This segment recorded segment profit of HK\$935,000 during the year ended 31 December 2019 (2018: HK\$4,871,000), and segment margin of 0.2% (2018: 0.5%), suffering from the unfavourable trade environment worldwide.

The electronic market in China remains highly competitive and volatile as impacted by continuing overcapacity. The Group's business of sale of semiconductors and related products encountered weak demand from business partners and customers and did not generate any revenue for the Group in 2019. Facing this adversity, the Group focused on the more profitable metal trading business. Due to market downturn, metal trading business has recorded revenue of HK\$418,048,000 (2018: HK\$911,385,000), which represented approximately 88% of the Group's total revenue for the year ended 31 December 2019 (2018: 93%). 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. With the enhanced sales efforts and management, this segment achieved segment revenue of HK\$57,994,000 (2018: HK\$62,970,000), representing a decrease by 8% when compared with the corresponding figure in 2018. Segment loss of HK\$782,000 (2018: HK\$1,316,000) was resulted from the unfavourable business environment.

### 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 2019, the Group did not generate any segment revenue (2018: HK\$2,638,000) and segment loss of HK\$2,093,000 (2018: HK\$3,242,000) were recorded. The decrease in segment loss was mainly attributable to the reduction of administrative expenses during the reporting period.

# Management Discussion and Analysis

## **BUSINESS REVIEW (Continued)**

### **Property Development (Continued)**

#### *Property development in Australia going forward (Continued)*

As at the date of this annual report, the Group has not yet obtained the relevant development consents in relation to a land in Australia acquired by the Group in February 2015 (the "Site") due to the fact that the rezoning of the Site (and surrounding area) is under review by local council. 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.

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 indicating a willingness to rezone the Site to allow for residential use.

After the public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the "Corridor Strategy"), indicating support for a change of zoning allowing residential use.

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 July 2017. The final Corridor Strategy was reported and endorsed by Canterbury Bankstown Council (the "Council") in May 2018.

Due to the significant size of the Site and the uniqueness of the employment zoning, the Council will require further preparation of a planning proposal and amendments to the Canterbury Local Environment Plan 2012 and Canterbury Development Control Plan 2012 prior to any potential development consent being granted, should that consent be for residential use.

The Group has continued to take a proactive approach in advocating for the rezoning of the Site by actively meeting the Department and the Council, and the newly elected Mayor. In addition, the Group is exploring the possibilities of alternative development strategies and plans that are permitted within the current zoning in order to fasten the approval process with the assistance of various professional parties.

Given the close proximity of the Site to the Canterbury Public Hospital, and the State government's announcement of funding for the rejuvenation of that hospital, the Council and State government have both indicated support for a health use on the Site, which is permissible within the current zoning and achieves Councils' desire of employment usage on the Site. The rezoning and development consent would be expected to be within a 12 to 18 month timeframe after the submission of a planning proposal.

The Company will make further announcement in relation to the updates on the Site as and when appropriate pursuant to the Listing Rules.

# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Investment in the Jinjiang Shares

On 25 July 2016, Sable International Limited, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 ordinary shares of China Jinjiang at an aggregate subscription price of SGD19,287,900 (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 2019, the Group held approximately 1.47% of the total issued share capital of China Jinjiang (31 December 2018: approximately 1.48%).

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\$74,269,000 as at 31 December 2019 (31 December 2018: HK\$56,326,000), accounting for approximately 15.4% of the Group's total assets (31 December 2018: 11.8%). During the year under review, an unrealised fair value gain on the investment in the Jinjiang Shares of HK\$17,943,000 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 2019 (2018: unrealised fair value loss of HK\$29,431,000), which were mainly attributable to (i) an approximately 30.4% increase in the market price of the Jinjiang Shares (2018: approximately 32.8% decrease) since the beginning of 2019; and (ii) an exchange gain due to an approximately 1.1% appreciation of Singapore dollars against Hong Kong dollars (2018: approximately 2.2% depreciation).

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.

Save as disclosed above, the Group did not make any significant investments or acquisitions during the year ended 31 December 2019.

# Management Discussion and Analysis

## PROSPECTS

Affected by the outbreak of novel coronavirus and global trade protectionism, global economic activities become more complex and severe in 2020, the metal trading and electronic industry was adversely affected in general. The Group is seeking to alleviate such adverse impact, including but not limited to maintaining contact with customers and suppliers to adjust time schedules favourable for production and goods delivery, while at the same time implementing cost control measures to reduce the impacts of the epidemic on the operations and financial performance of the Group.

In the long term, the Group will continue to pursue development of its project in Sydney, Australia to enhance the growth prospect of the Group. In the meantime, the Group is continuously strengthening its sales and marketing force in relation to the metal trading business with emphasis on serving the needs of different customers in different geographical markets. The Group will continue to develop its existing businesses and will also continue to proactively seize new business opportunities with bright prospects and good returns to create value to the Shareholders.

## KEY RISKS AND UNCERTAINTIES

Risks and uncertainties can affect the Group's businesses, financial conditions, operational results or growth prospects leading to a divergence from expected or historical results. Key risk factors and uncertainties affecting the Group are outlined below. In dealing with these risk factors and uncertainties, the Group remains in touch with its stakeholders with the aim of understanding and addressing their concerns. Further description in relation to the internal control and risk management of the Group are mentioned in the Corporate Governance Report from pages 32 to 45 of this annual report.

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

### 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 phase 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.

## Management Discussion and Analysis

### KEY RISKS AND UNCERTAINTIES (Continued)

#### Regulation and Government Policies Risk

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

#### Strategic Direction Risk

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

#### Real Estate Market Risk

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

#### Currency Market Risk

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

#### Reliance on Major Customers and Suppliers Risks

Given the business nature of sale of metals, 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2019, the Group had current assets of HK\$365,181,000 (31 December 2018: HK\$378,824,000) comprising bank and cash balances of HK\$125,380,000 (31 December 2018: HK\$134,021,000) and net current assets of HK\$333,218,000 (31 December 2018: HK\$346,347,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$31,963,000 (31 December 2018: HK\$32,477,000), maintained at a healthy level of 11.43 times (31 December 2018: 11.66 times) as at the end of the year under review.

As at 31 December 2019, the Group's equity attributable to owners of the Company was HK\$439,800,000 (31 December 2018: HK\$435,008,000).

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2019, the Group had no bank borrowings (31 December 2018: Nil), and the Group's equity attributable to owners of the Company amounted to HK\$439,800,000 (31 December 2018: HK\$435,008,000). The Group's gearing ratio was therefore maintained at a very low level of 0.00% as at 31 December 2019 (31 December 2018: 0.00%).

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 future acquisitions, if any, by internal resources and/or external debts and/or by equity financing.

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.

### 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 net proceeds raised by the Company from the Open Offer amounted to approximately HK\$320,615,000 (after deducting transaction costs of HK\$1,607,000). Out of the net proceeds from the Open Offer, HK\$171,517,000 was applied to the completion of the acquisition of the Site in 2015, HK\$113,559,000 (including transaction costs) was applied to the subscription of the Jinjiang Shares in 2016 and HK\$29,132,000 (including transaction costs) was applied to the acquisition of an office unit in Hong Kong in 2017. As at 31 December 2018, the remaining of HK\$6,407,000 was remained unused and placed with licensed banks in Hong Kong and Australia to finance the Group's general working capital. As at 31 August 2019, all the remaining proceeds from the Open Offer was used up for settlement of the administrative expenses of the Group during the eight months period from 1 January to 31 August 2019.

## Management Discussion and Analysis

### FINANCIAL REVIEW (Continued)

#### Capital Structure and Changes in Share Capital (Continued)

On 22 October 2018, the Company completed a placing of existing Shares and top-up subscription for new Shares under general mandate (the “Top-Up Placing”) in which a total of 204,800,000 Shares had been placed at the placing price of HK\$0.321 per Share to not less than six independent places procured by or on behalf of the sole placing agent. The total net proceeds raised by the Company from the Top-Up Placing amounted to approximately HK\$65,023,000 (after deducting transaction costs). The Company intended to apply the net proceeds from the Top-Up Placing to further expand the Group’s metal trading business and to increase the Company’s general working capital. All the net proceeds from the Top-Up Placing was applied to the expansion of the Group’s metal trading business in November 2018. The Group entered into various metal purchase contracts in relation to its metal trading business in November 2018 and hence funds were set aside for payments accordingly. Payments for the Group’s metal purchase were completed in December 2018 and all the net proceeds from the Top-Up Placing was utilised. For details of the Top-Up Placing, please refer to the announcements of the Company dated 9 October 2018, 22 October 2018 and 22 October 2019, respectively.

As at 31 December 2019, the issued share capital of the Company was HK\$18,159,107.67 divided into 1,815,910,767 Shares of HK\$0.01 each.

#### Income Tax

The effective tax rate for the year under review was 9.7% (2018: 63.6%) with the recognition of deferred tax credit of HK\$1,222,000 (2018: HK\$1,552,000) 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

### Pledge of Assets

As at 31 December 2019, the Group had no banking facilities and hence no assets of the Group were pledged to secure its banking facilities (31 December 2018: Nil).

### Capital Expenditures and Capital Commitments

Capital expenditures incurred by the Group during the year ended 31 December 2019 amounted to HK\$185,000 (2018: HK\$2,154,000).

As at 31 December 2019, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK\$1,564,000 (31 December 2018: HK\$1,594,000), which represented capital contribution to a subsidiary. The commitments will be financed by internal resources and/or external debts of the Group and/or by equity financing.

### 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 2019, the Group had approximately 167 employees (31 December 2018: approximately 166) including the directors of the Company (the "Directors"). Total staff costs for the year under review, including Directors' remuneration, was HK\$18,537,000 (2018: HK\$20,435,000). 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 employees 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.

# Management Discussion and Analysis

## 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, 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 57, 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 senior engineer in the PRC. He is also the chairman of Hailiang Group. Mr. Cao served as the 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, Fourth and fifth National Nonferrous Metals Standardisation Technological Committee (第三屆、第四屆、第五屆全國有色金屬標準化技術委員會) and the chairman of the International Organisation for Standardisation (ISO) of the Copper and Copper Alloy Technical Committee (TC26) (銅及銅合金技術委員會). Mr. Cao is the winner of numerous awards, including “Outstanding Technical Officer of China Nonferrous Metals Industry (中國有色金屬工業優秀技術工作者)” Award, “Model Worker of National Nonferrous Metals Industry (全國有色金屬行業勞動模範)” Award, “Model Worker of Shaoxing City (紹興市勞動模範)” Award, “Senior Expert of Shaoxing City (紹興市高級專家)” Award, “Second-Level Fostered Talent in the Zhejiang Province New Century 151 Talents Project (浙江省“新世紀151人才工程”第二層次培養人員)” Award, “Economic Construction Contributor’s Award of Zhuji City for the Year 2006 (2006年度諸暨市經濟建設功臣)”, “China Private Enterprises Innovator for the Year 2011 (2011中國民營企業年度創新人物)” Award and “Zhejiang Province’s Ten Best Business Managers for the Year 2011 (2011年度浙江省十佳事業經理人)” Award, “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. Cao does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Cao did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

## Biographical Details of Directors and Senior Management

### EXECUTIVE DIRECTORS (Continued)

**Mr. Feng Luming** (馮櫓銘先生), aged 33, has been appointed as an Executive Director since 1 May 2017 and the chief executive officer of the Company since 17 June 2017. Mr. Feng is/was a director (resigned from Vice President since May 2019) of Hailiang Group Co., Limited# (海亮集團有限公司), a director (resigned since September 2019) 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)), an executive director of Natregro Healthy Food Group Ltd.# (明康匯健康食品集團有限公司), an executive director of the board of directors of Zhejiang Natregro E-commerce Co., Ltd.# (浙江明康匯電子商務有限公司) and an executive director of Hangzhou Puying Trading Limited# (杭州璞熒貿易有限公司). 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.

Mr. Feng Luming is the son of Mr. Feng Hailiang (馮海良先生) (“Mr. Feng”), a controlling shareholder of the Company. Other than that, Mr. Feng Luming does not have any relationships with any Directors, senior management, substantial shareholders of the Company.

Mr. Feng Luming did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

**Dr. Jin Xiaozheng** (金曉錚博士), aged 36, has been appointed as an Executive Director of the Company with effect from 22 August 2017. Dr. Jin was an executive director and general manager of Mingly Corporation from July 2014 to April 2019. 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.

Dr. Jin does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Jin did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chang Tat Joel**, aged 52, 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 was an executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited) (Stock Code: 273) before 12 January 2020, 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 is currently an investment committee member of AID Partners Capital Limited, and is responsible for its strategic investment planning. He was formerly a non-executive director of AID Life Science Holdings Limited (formerly known as Healthoo International Technology Holdings Limited and 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 was 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.

Mr. Chang does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Chang did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Ho Gilbert Chi Hang**, aged 43, has been appointed as an Independent Non-executive Director of the Company since 12 May 2014. He is an executive director and a member of the Executive Committee of NWS Holdings Limited (Stock Code: 659), a company whose shares are listed on the Stock Exchange of Hong Kong Limited. Joined NWS in January 2018, he is also a director of certain subsidiaries of the NWS Group and is responsible for overseeing the business development and mergers and acquisitions affairs, and certain businesses of the NWS Group. Mr. Ho has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining NWS Holdings Limited, Mr. Ho was a director and/or senior executive in several Hong Kong listed public companies. He was 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. He was also a partner of an international law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Ho is an independent non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307) and Asia Allied Infrastructure Holdings Company Limited (Stock Code: 711) and a non-executive director of Shougang Concord International Enterprises Company Limited (Stock Code: 697) and Wai Kee Holdings Limited (Stock Code: 610), all being listed public companies in Hong Kong. Mr. Ho was an executive director of HMV Digital China Group Limited (Stock Code: 8078), a company listed on the Stock exchange, and an executive director and Chief Executive Officer of AID Partners Technology Holdings Limited) (now known as AID Life Science 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. Mr. Ho 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 was a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia. He is also a fellow member of CPA Australia.

Mr. Ho does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Ho did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Tsui Kun Lam Ivan**, aged 64, 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.

Mr. Tsui does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Tsui did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

**Dr. Chan Wing Mui Helen**, aged 61, has been appointed as an Independent Non-executive Director with effect from 1 May 2017. Dr. Chan is the Chief Executive Officer (Honorary) of the Promoting Happiness Index Foundation. She was 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.

Dr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Dr. Chan did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

## Biographical Details of Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

**Mr. Wang Cheung Yue**, aged 76, has been appointed as an Independent Non-executive Director with effect from 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.

Mr. Wang does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Wang did not have any interest in the Shares, underlying Shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

### SENIOR MANAGEMENT

#### Chief Financial Officer and Company Secretary

**Mr. Pang Ka Fai Angus (“Mr. Pang”)**, aged 50, has been appointed as the Chief Financial Officer and Company Secretary of the Company since 2 December 2019. Mr. Pang has 28 years of experience in financial management, corporate finance, corporate mergers, investor relationships and corporate secretarial work.

Mr. Pang holds a master’s degree of Corporate Governance from the Hong Kong Polytechnic University, a bachelor degree of Business Administrative in Accounting from the Open University of Hong Kong, and is a fellow member of both the Hong Kong Institute of Chartered Secretaries, and the Chartered Governance Institute (formerly known as the “Institute of Chartered Secretaries and Administrators”) in the United Kingdom, holding Chartered Secretary and Chartered Governance Professional dual designations. He is also an associate member of the CPA Australia and a member of the Regulatory Committee of the Hong Kong Independent Non-Executive Director Association.

Before joining the Company, Mr. Pang was the company secretary and Head of Investor Relation of SRE Group Limited (Stock Code: 1207), a company listed on the Main Board of the Stock Exchange, from April 2016 to June 2019.

## 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 2019.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of metals, the development and provision of electronic turnkey device solutions business, and the property development business. Details of the principal activities of its principal subsidiaries are set out in note 33 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73.

### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: 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 134. 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 133.

### 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:

## Report of the Directors

### 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.

## Report of the Directors

### 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.

## Report of the Directors

### 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 25 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 5.89% 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 2019.

### 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 2019, 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 24(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 2019 amounted to HK\$417,222,000 (2018: HK\$414,386,000).

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 96% of the total sales for the year and sales to the largest customer accounted for approximately 88%. Purchases from the Group's five largest suppliers accounted for approximately 92% of the total purchases for the year and purchases from the largest supplier accounted for approximately 90%.

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:

### 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 <sup>(Note)</sup>  
Dr. Chan Wing Mui Helen  
Mr. Wang Cheung Yue

In accordance with Article 87 of the Articles of Association, Dr. Jin Xiaozheng (金曉錚博士), Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang will retire by rotation at the forthcoming annual general meeting (the "AGM"). Each of Dr. Jin Xiaozheng (金曉錚博士), Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang is being eligible offer themselves for re-election at the AGM.

*Note:* Mr. Tsui Kun Lam Ivan will resign as an independent non-executive Director with effect from 12 May 2020. For details, please refer to the announcement of the Company dated 27 March 2020.

Biographical details of the Directors are set out on pages 15 to 20 of this Annual Report.

## Report of the Directors

### 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:

Mr. Feng Luming (馮櫓銘先生), an Executive Director and chief executive officer of the Company, had resigned as Vice President of Hailiang Group Co., Limited# (海亮集團有限公司) since May 2019 and 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) since September 2019. He also ceased to act an executive director and the general manager of Zhuji Renruide Investments Limited# (諸暨仁瑞德投資有限公司) since its voluntary deregistration by members in 2019.

Mr. Chang Tat Joel, an Independent Non-executive Director of the Company, had resigned as an executive director of Mason Group Holdings Limited (formerly known as Mason Financial Holdings Limited) (Stock Code: 273) on 12 January 2020, a company listed on the Stock Exchange. He is currently an investment committee member of AID Partners Capital Limited, and is responsible for its strategic investment planning.

### 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 11 to the consolidated financial statements.

## Report of the Directors

### 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 2019, 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. Cao Jianguo (曹建國先生) 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) 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 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 2019.

## Report of the Directors

### 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 2019.

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

As at 31 December 2019, 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 2019.

## Report of the Directors

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2019, 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)	66.48%
Ningbo Zhetao	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Hailiang Group	Interest of controlled corporation	1,207,207,299 (Note)	66.48%
Rich Pro	Beneficial owner	1,207,207,299 (Note)	66.48%

Note: These Shares were held by Rich Pro Investments Limited ("Rich Pro"), a wholly-owned subsidiary of Hailiang Group. As at 31 December 2011, Hailiang Group was approximately 98.54% owned by Mr. Feng and his close associates (as defined in the Listing Rules) (including Ningbo Zhetao Investment Holdings Limited<sup>#</sup> (寧波哲韜投資控股有限公司), which owned 40.26% equity interest in Hailiang Group). Accordingly, each of Mr. Feng, Ningbo Zhetao and Hailiang Group was deemed to be interested in 1,207,207,299 Shares under the SFO.

<sup>#</sup> literal translation of the Chinese company name

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, as at 31 December 2019, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying shares of the Company as required pursuant to section 336 of the SFO.

### RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 31 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.

## Report of the Directors

### 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 2019 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 2019 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 2020.

# Report of the Directors

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 32 to 45 under the section headed “Corporate Governance Report” of this Annual Report.

On behalf of the Board

**Cao Jianguo 曹建國**

*Chairman*

Hong Kong, 27 March 2020

## 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 2019, except for the following deviation with the reasons as explained below:

#### Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. During the year, Mr. Chang Tat Joel, the chairman of the Audit Committee and Mr. Feng Luming (馮櫓銘先生), the chairman of the Credit Committee, were unable to attend the general meeting held on 21 June 2019 due to other engagement. The other members of the Audit Committee attended the annual general meeting on 21 June 2019 and all the questions and concerns raised at the general meeting were properly answered by the directors presented.

### 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 2019.

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 2019.

# Corporate Governance Report

## 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 (金曉錚博士) 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/her 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.

# Corporate Governance Report

## 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 2019, the Company organised one training session for the Directors which was conducted by the external legal adviser of the Company. In addition, the Directors were provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices. During the year ended 31 December 2019, 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 (金曉錚博士) and the other five 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 seven Board meetings and one general meeting during the financial year ended 31 December 2019. Directors attended these meetings either in person or through electronic means of communication. Attendance records of the Board meetings and general meeting during the year are set out below:

Name of Directors	Attendance/Number of Meetings	
	Board Meetings	Annual General Meeting of the Company held on 21 June 2019
<b>Executive Directors</b>		
Mr. Cao Jianguo (曹建國先生) ( <i>Chairman</i> )	6/7	1/1
Mr. Feng Luming (馮櫓銘先生) ( <i>Chief Executive Officer</i> )	5/7	0/1
Dr. Jin Xiaozheng (金曉鏗博士)	4/7	1/1
<b>Independent Non-executive Directors</b>		
Mr. Chang Tat Joel	3/7	0/1
Mr. Ho Gilbert Chi Hang	6/7	1/1
Mr. Tsui Kun Lam Ivan	6/7	1/1
Dr. Chan Wing Mui Helen	6/7	1/1
Mr. Wang Cheung Yue	5/7	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).

# Corporate Governance Report

## 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 2019, 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 four Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Credit Committee. The Audit Committee, the Nomination Committee, the Remuneration Committee and Credit 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 in January 2019. 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.

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 policy for the remuneration of executive Directors, 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.

## Corporate Governance Report

### REMUNERATION COMMITTEE (Continued)

The Remuneration Committee met once during the year ended 31 December 2019 to review the remuneration of the Directors. The attendance of each member was set out as follows:

<b>Name of Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. Ho Gilbert Chi Hang ( <i>Chairman of the Remuneration Committee</i> )	1/1
Mr. Chang Tat Joel	1/1
Mr. Tsui Kun Lam Ivan	1/1

### NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference in compliance with the CG Code, which were revised by the Board in January 2019. 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.

The Nomination Committee met once during the year ended 31 December 2019 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:

<b>Name of Members</b>	<b>Attendance/ Number of Meeting</b>
Mr. Tsui Kun Lam Ivan ( <i>Chairman of the Nomination Committee</i> )	1/1
Mr. Cao Jianguo (曹建國先生)	0/1
Mr. Chang Tat Joel	1/1
Mr. Ho Gilbert Chi Hang	1/1

## Corporate Governance Report

### NOMINATION COMMITTEE (Continued)

The Board has adopted a Board diversity policy (the “Policy”) in accordance with the requirements of the Listing Rules with 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 in January 2019. 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.

The Audit Committee met twice during the year ended 31 December 2019 and the attendance of each member was set out as follows:

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

# Corporate Governance Report

## AUDIT COMMITTEE (Continued)

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 2019 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 discussed the unaudited financial statements of the Group for the six months ended 30 June 2019 and recommended to the Board for approval;
4. 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;
5. reviewed the effectiveness of the risk management and internal control systems of the Group;
6. 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
7. reviewed the effectiveness of the Company's internal audit function.

## CREDIT COMMITTEE

The Credit Committee was established on 28 March 2019 which is responsible for (i) reviewing the sales and credit information of the Company; and (ii) overseeing the Company's financial reporting system, risk management and internal control procedures.

The Credit Committee has specific written terms of reference. As at the date of this Annual Report, the Credit Committee comprises two Executive Directors, namely Mr. Feng Luming (馮櫓銘先生) (Chairman) and Dr. Jin Xiaozheng (金曉錚博士).

## Corporate Governance Report

### CREDIT COMMITTEE (Continued)

The Credit Committee met once during the year ended 31 December 2019 and the attendance of each member was set out as follows:

Name of Members	Attendance/ Number of Meeting
Mr. Feng Luming (馮櫓銘先生) ( <i>Chairman of the Credit Committee</i> )	1/1
Dr. Jin Xiaozheng (金曉錚博士)	1/1

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

1. reviewed sale transactions and credit policy of metal trading business of the Group;
2. reviewed the credit risk control system of the Group; and
3. reviewed the credit control governance system of the Group;

### 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 2019. As at 31 December 2019, 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.

# 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 from 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 2019 is set out in the "Independent Auditor's Report" on pages 69 to 71 of this Annual Report.

For the year ended 31 December 2019, remuneration payable to ZHONGHUI ANDA for the provision of its audit services was HK\$640,000. During the year, HK\$144,000 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 2019.

## 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

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

### 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

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 had no internal audit function during the year ended 31 December 2019 as its market capitalisation is relatively small and it is not cost-effective to establish internal audit function. The Directors will review annually the needs for internal audit.

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 closely 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.

# Corporate Governance Report

## **RISK MANAGEMENT AND INTERNAL CONTROL (Continued)**

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 2019, 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 for the year ended 31 December 2019.

## **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 exist 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. Ma Lingyun was the Company Secretary of the Company from 6 April 2018 to 2 December 2019. Mr. Pang Ka Fai Angus has been appointed as the Company Secretary of the Company since 2 December 2019. The biographical details of Mr. Pang are set out under the section headed "Biographical Details of Directors and Senior Management" on page 20 of this Annual Report. Mr. Pang 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 2019.

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

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

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

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

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

### Procedures for Directing Shareholders' Enquiries to the Board

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

## INVESTOR RELATIONS

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

During the year ended 31 December 2019, there was no change in the Company's constitutional documents.

## Corporate Governance Report

### DIVIDEND POLICY

Under the dividend policy of the Company (the “Dividend Policy”), provided the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia: (i) the general financial condition of the Group; (ii) capital and debt level of the Group; (iii) future cash requirements and availability for business operations, business strategies and future development needs; (iv) any restrictions on payment of dividends that may be imposed by the Group’s lenders; (v) the general market conditions; and (vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the articles of association of the Company. The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific periods.

# Environmental, Social and Governance Report

## INTRODUCTION

Hailiang International Holdings Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) is principally engaged in the business of development and provision of electronic turnkey device solutions and the business of sale of metals.

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

## THE ESG GOVERNANCE STRUCTURE

The Group has established the ESG Taskforce (the “Taskforce”). The Taskforce comprises core members from different departments and is responsible for collecting relevant information on the ESG aspects for preparing the ESG Report. The Taskforce reports to the board of directors of the Company (the “Board”), assists in identifying and evaluating the Group’s ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates performances in different aspects such as environment, health and safety, labour standards and product responsibilities in the ESG aspects. The Board sets up a general direction for the Group’s ESG strategies, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

## SCOPE OF REPORTING

The ESG Report covers the Group’s business segment pertaining to the development and provision of electronic turnkey device solutions in Foshan, the People’s Republic of China (the “PRC”), where its principal business operation is located. The Group considers the reporting scope to be adequate because the data collection system of this business segment is more developed and thus better documented, which fulfils the disclosure requirements by The Stock Exchange of Hong Kong Limited (“HKEX”).

The ESG key performance indicator (“KPI”) data is gathered and includes the Group’s segment pertaining to the development and provision of electronic turnkey device solutions and its subsidiary in the PRC, Foshan Lianchuang Hualian Electronics Company Limited (佛山聯創華聯電子有限公司), which is under the Group’s direct operational control. The KPIs are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. The Group understands the importance of transparency, when the Group’s data collection system matures, the scope of disclosure will be expanded.

## REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) contained in Appendix 27 of the Main Board Listing Rules of the HKEX.

For the Group’s corporate governance practices, please refer to pages 32 to 45 for the section “Corporate Governance Report” contained in the Group’s 2019 Annual Report.

# Environmental, Social and Governance Report

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2019 ("FY2019").

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. To understand and address their key concerns, the Group has maintained close communication with key stakeholders, including but not limited to shareholders and investors, employees, suppliers, customers, government authorities, media and the public.

In formulating operational and ESG strategies, the Group takes stakeholders' expectations into consideration by utilising diversified engagement methods and communication channels, as shown below.

Stakeholders	Communication Channel	Expectations
Shareholders and investors	<ul style="list-style-type: none"> <li>Annual general meeting and other shareholder meetings</li> <li>Annual reports and interim reports</li> <li>Announcements and circulars</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable profitability</li> <li>Shareholder return</li> <li>Optimising risk management and internal control</li> <li>Regular information disclosure</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Training, seminars and briefings</li> <li>Performance reviews</li> <li>Intranet</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and benefits</li> <li>Fair and competitive employment practices and policies</li> <li>Safe and healthy work environment</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Suppliers' satisfactory assessment</li> <li>Face-to-face meetings and on-site visits</li> </ul>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Win-win cooperation</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customer service hotline</li> <li>Product tracking system</li> </ul>	<ul style="list-style-type: none"> <li>High quality products and services</li> <li>Rapid response and customer satisfaction</li> </ul>
Government authorities	<ul style="list-style-type: none"> <li>Written or electronic correspondences</li> <li>Punctual tax payment in full</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance</li> </ul>
Media and the public	<ul style="list-style-type: none"> <li>ESG Report</li> </ul>	<ul style="list-style-type: none"> <li>Transparency of financial and ESG issues disclosures</li> <li>Legal compliance</li> </ul>

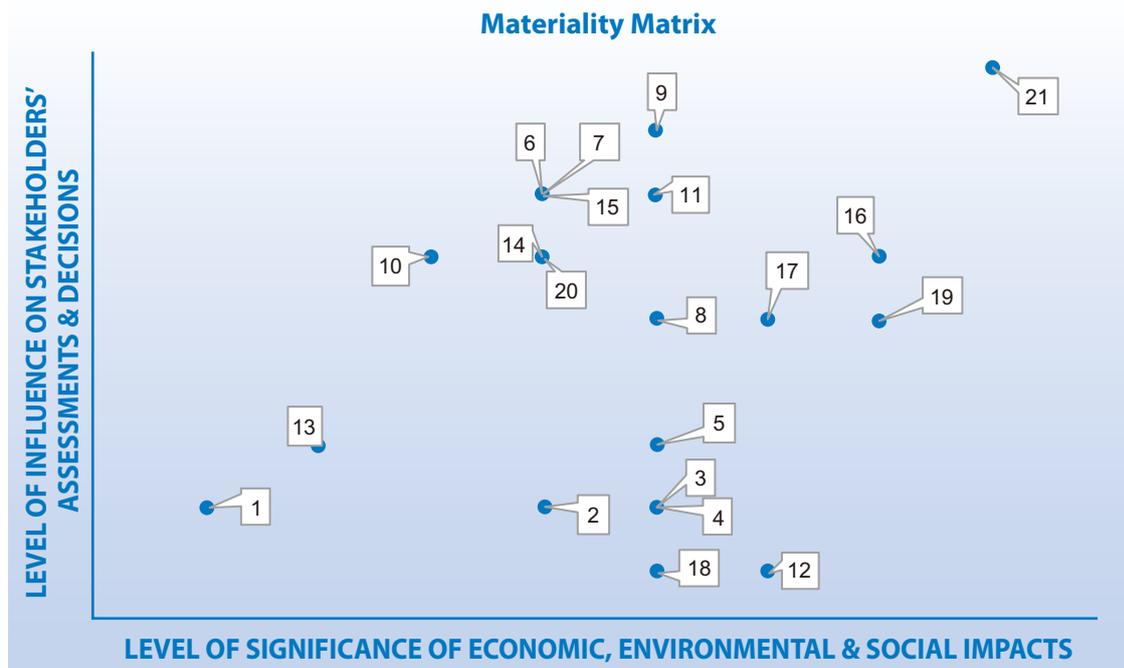
The Group aims to collaborate with its stakeholders to improve its ESG performance and continuously create greater value for the wider community.

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing its operations, identify relevant ESG issues and assess the importance of related matters to its businesses and stakeholders. The Group compiled a questionnaire in relation to the identified material ESG issues to collect the information from the stakeholders of the Group.

Feedback from the relevant stakeholders has been considered in determining the Group's material ESG aspects to be covered in the ESG Report. The Group's materiality matrix for FY2019 is described in the following figure.



Environmental	Employment	Operations Practices
1. Greenhouse Gas Emissions	6. Talent Attraction and Retention	12. Use of Packaging Materials
2. Waste Management	7. Employees' Rights and Welfare	13. Hazardous Waste Treatment
3. Water Consumption	8. Equal Opportunities, Diversity and Anti-discrimination	14. Suppliers Selection Mechanism
4. Energy Consumption	9. Occupational Health and Safety	15. Product Quality and Safety
5. Energy Saving Measures	10. Training and Development	16. Customer Satisfaction
	11. Prevention of Child and Forced Labour	17. Protection of Intellectual Property Rights
		18. Advertising and Labelling
		19. Anti-corruption
		20. Community Investment
		21. Corporate Governance

In FY2019, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

# Environmental, Social and Governance Report

## CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You may provide valuable advice in respect of the ESG Report or our performances in sustainable development by emailing [info@hailiang.com](mailto:info@hailiang.com).

## ENVIRONMENTAL

### 1. Emissions

#### General Disclosure and KPIs

Environmental protection has always been one of the fundamental values of the Group. The Group attaches great importance to sustainable development in its operation. To reduce energy consumption and greenhouse gas (“GHG”) emissions, the Group has actively implemented environmental policies and procured more energy-efficient machinery to reduce its carbon footprint. The Group has received both ISO 9001 and ISO 14001 certification.

During FY2019, the Group was not aware of any material non-compliance with laws and regulations, including but not limited to Environmental Protection Law of the PRC, Prevention and Control of Atmospheric Pollution of the PRC, Water Pollution Prevention and Control Law of the PRC, Prevention and Control of Environmental Pollution by Solid Waste of the PRC, in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

#### Air Emissions

The principal sources of emissions arising out of the Group’s operation include vehicle emissions and industrial production emissions.

For vehicle emissions, reduction measures will be mentioned in the section “GHG Emissions – Scope 1 – Direct GHG Emissions”.

For industrial production emissions, the Group has installed an exhaust gas ventilation system in the production area. The Group has engaged an independent organisation to annually inspect the level of industrial exhaust gases. The results showed that the Group has complied with the prescribed level of air emissions stated in the Discharge Limits of Air Pollutants of Guangdong Province (《廣東省地方標準大氣污染物排放限值》).

Summary of exhaust gas emissions performances:

Type of exhaust gas	Unit	2019	2018
Nitrogen oxides (“NOx”)	kg	46	50
Sulphur oxides (“SOx”)	kg	0.14	0.13
Particulate matter (“PM”)	kg	4.36	4.57

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

##### *GHG Emissions*

The major sources of the Group's GHG emissions are generated from petrol consumption of vehicles (Scope 1) and purchased electricity (Scope 2).

##### *Scope 1 – Direct GHG Emissions*

The Group has adopted the following measures to mitigate direct GHG emissions from petrol consumption by vehicles in its operations:

- Purchase Euro V or above vehicles on replacing previous vehicles;
- Plan routes ahead of time to reduce route repetition and optimise fuel consumption;
- Switch off the engine whenever the vehicle is idling; and
- Regularly undergo maintenance service to ensure optimal engine performance and fuel use.

##### *Scope 2 – Indirect GHG Emissions*

Electricity consumption accounted for the largest indirect GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, the measures will be described in the section "Use of Resources".

Through these measures, employees' awareness of reducing GHG emissions has been reported to have increased.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

#### GHG Emissions (Continued)

#### Scope 2 – Indirect GHG Emissions (Continued)

Summary of GHG emissions performances:

Indicator <sup>1</sup>	Unit	2019	2018
Direct GHG emissions (Scope 1) – Petrol	tCO <sub>2</sub> e	25.76	23.56
Indirect GHG emissions (Scope 2) – Purchased electricity	tCO <sub>2</sub> e	494.85	451.03 <sup>2</sup>
Total GHG emissions (Scope 1 and 2)	tCO <sub>2</sub> e	520.61	474.59 <sup>2</sup>
GHG emissions intensity <sup>3</sup>	tCO <sub>2</sub> e/million revenue (HK\$)	8.98	7.54 <sup>2</sup>

Note:

- GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China Southern Power Grid, “How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs” issued by the HKEX and “Global Warming Potential Values” from the IPCC Fifth Assessment Report, 2014 (AR5).
- Calculation methodology has been changed from using build margin emission factor to the average of build margin and operating margin emission factors to better reflect the amount of GHG emissions. Related data has been restated.
- The Group recorded a segment revenue of HK\$57,994,000 for FY2019 and HK\$62,970,000 for the year ended 31 December 2018. The data is also used for calculating other intensity data.

#### Sewage Discharge

Due to the Group’s business, the Group did not consume a significant amount of water, therefore its business activities did not generate material portion of discharge into the water.

The waste water discharged by the Group is disposed of through the municipal sewage network to the regional water purification plant. The data on the discharge of sewage will be documented in “Use of Resources – Water Consumption”. Inspection made by an independent organisation during FY2019 showed that the particulates discharge level was below the prescribed threshold.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

##### Waste Management

The Group recognises the importance of good waste management practices which not only protects the reputation and quality of the products produced, but also safeguards the health and safety of its employees. Therefore, the Group has established a detailed Waste Disposal Procedure (《廢棄物處理程序》) that regulates the Group's waste management practices of non-hazardous waste and hazardous waste. The said policy specifically appoints persons-in-charge, details their expected responsibilities and clearly states the procedures for collection, storage and disposal of wastes. The Group proactively commits to reducing waste by reusing the materials and upon the end of its life cycle, the said materials will be sent to a recycling facility.

##### Non-hazardous Waste Treatment

The non-hazardous wastes produced include damaged tools, waste paper, waste office paper and a small amount of packaging materials. These wastes will be temporarily stored at a designated place and will then be gathered for collection by a contractor. The consumption and disposal amount of materials are regularly being monitored to detect any anomalies in the usage of production materials or office papers.

Various waste reduction measures have been established and posters can be seen in the vicinity of the factory to remind its employees to reduce wastage, said measures include but are not limited to:

- Encourage double-sided printing or photocopying and electronic communication;
- Use recycled paper for draft documents or photocopying;
- Reuse cardboard boxes for packaging until it reaches the end of its life cycle;
- Use stainless steel cutlery and boxes instead of single-use disposable items; and
- Promote separation of waste (such as cartons and plastic bottles) and engage a commercial recycling services provider.

Through these measures, employees' awareness of reducing wastes, in particular office paper, has been increased. This is shown by a decrease of 30.4% of the office paper usage from 2018 to 2019.

Summary of major non-hazardous wastes discharge performance:

Category of waste	Unit	2019	2018
Paper	tonnes	0.174	0.250
Intensity	tonnes/million revenue (HK\$)	0.003	0.004

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

#### *Waste Management (Continued)*

##### *Hazardous Waste Treatment*

Due to the Group's production of electronic controller parts, an insignificant amount of hazardous waste will be generated. In particular, liquid flux is used to remove oxides of the electronic controller parts before soldering. The Hazardous Substance Management Procedure (《有害物質管理程序》) governs the procurement, production quality control and employee training of hazardous substance.

The Group has contracted licenced hazardous waste collectors for the disposal of hazardous wastes. The Group strictly abided by the Restriction of Hazardous Substances in governing the management and disposal of hazardous wastes. All hazardous substances are handed to said collectors for proper disposal; the Group does not treat nor dispose of any hazardous waste directly.

Similar to the non-hazardous waste management, decommissioned items are temporarily stored at a designated place. Aluminium cans that store the aforementioned liquid flux will be recycled by a specialised licenced hazardous waste collector. On the other hand, other decommissioned items containing volatile organic compounds will be stored at a sheltered but open-air storage warehouse to avoid the accumulation of harmful gases. The said warehouse is padlocked and only permitted personnel has access to the said warehouse. Hazardous wastes are placed at their designated areas with clear labelling to avoid mix-up or cross-contamination. Multiple large hazard warning labels have been affixed on both the interior and exterior of the warehouse to warn employees of potential hazardous waste exposure.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 2. Use of Resources

#### General Disclosure and KPIs

The Group aims to minimise environmental impacts in its operations by identifying and imposing measures to increase energy and resource efficiency. The Environmental Operation Control Procedure (《環境運行控制程序》) and the Resources and Energy Control Procedure (《資源能源控制程序》) are established to provide guidelines on water and electricity management. The said procedures are also regularly revised to ensure that the guidelines continue to be of relevance. All employees are duly notified of the implementation of such guidelines during induction training and when the guidelines are being updated.

#### Energy Consumption

The principal energy consumption of the Group is electricity consumption. Metres on large electronic equipment are inspected weekly to closely monitor and detect any abnormal usage. Upon detecting weekly energy usage, existing energy usage policies are then re-considered to see whether they are sufficient or too lenient, changes will then be made as soon as practicable. Additionally, each department has its own electricity usage account to allow the person-in-charge to better understand the energy usage status.

#### Energy Saving Measures

Posters can be seen around the factory to promote and raise employees' awareness of energy efficiency. The Group has formulated measures to promote efficient electricity consumption. Such measures include but are limited to:

- Limit daily electricity supply period;
- Switch on air-conditioners only when the indoor temperature exceeds 28°C, air-conditioners to be set at 26°C or above;
- Select energy-efficient equipment and electrical appliances;
- Switch off electrical appliances or air-conditioners when not in use;
- Use natural lighting where possible;
- Open windows to maximise airflow and ventilation; and
- Duly report faulty electrical appliances to ensure maximum energy efficiency and avoid further damage.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 2. Use of Resources (Continued)

#### General Disclosure and KPIs (Continued)

#### Energy Consumption (Continued)

##### Energy Saving Measures (Continued)

Through these energy-saving measures, employees' awareness of energy conservation has been increased. A 10.0% increase in total energy consumption has been noted, this can be mainly explained by using more equipment to produce more sophisticated parts in FY2019.

Summary of energy consumption performances:

Type of energy	Unit	2019	2018
Petrol <sup>4</sup>	kWh	93,599.80	82,931.39
Intensity	kWh/million revenue (HK\$)	1,613.96	1,317.00
Electricity	kWh	912,754.06	831,856.00
Intensity	kWh/million revenue (HK\$)	15,738.77	13,210.35
Total Energy Consumption	kWh	1,006,353.86	914,787.39
Total Energy Consumption Intensity	kWh/million revenue (HK\$)	17,352.73	14,527.35

Note:

4. Actual petrol consumption was approximately 9,686.00 litres in FY2019.

#### Water Consumption

The Group is committed to reducing water usage by educating employees the importance of water conservation. The Group wishes to nurture its employees the habit of water conservation.

Water conservation is not limited to the daily usage of its employees but also to cleaning the factory. Water conservation measures, such as utilising recycled water to clean vehicles and factory floors and installing water-saving thimble in taps, are in place and are considered to be adequate at this point in time. With the implementation of these measures, the Group has observed an increase in employees' awareness of water conservation. A 19.0% increase in water consumption has been recorded, this is mainly due to an increase in employees in FY2019.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 2. Use of Resources (Continued)

#### General Disclosure and KPIs (Continued)

##### *Water Consumption (Continued)*

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

Summary of water consumption performance:

Indicator	Unit	2019	2018
Total water consumption	m <sup>3</sup>	11,139.87	9,361.43
Intensity	m <sup>3</sup> /million revenue (HK\$)	192.09	148.66

##### *Use of Packaging Materials*

Due to the Group's business nature, the Group considers that the use of packaging materials is not significant.

The Group nevertheless has established the Packaging Materials Recycling Management Regulations (《包材回收管理規定》) to regulate its recycling procedure, engagement with recyclers, incentives, etc. During the operation, the Group consumes brown carton boxes to hold delicate electronic panels upon completion; the usage of such packaging is seen as the norm of the industry. In actively finding a solution to reduce the usage of packaging materials, the Group makes its utmost effort to reuse the carton boxes until it reaches the end of its life cycle by reminding drivers to treat the boxes carefully during delivery and upon delivery request the electronic panels to be unloaded so the delivery drivers can collect the said boxes immediately.

Therefore, the overall consumption of packaging materials will be limited by the well-established policies on recycling carton boxes.

# Environmental, Social and Governance Report

## ENVIRONMENTAL (Continued)

### 3. The Environment and Natural Resources

#### General Disclosure and KPIs

The Group is committed to minimising negative environmental impacts occasioned by its business operations where practicable and has proactively adopted a multi-faceted approach.

#### Noise Control

The Group recognises that noise pollution may be generated as a result of its business nature. Therefore, the Group has implemented a number of measures to reduce noise level and ensure that the quality of life of the neighbours would not be severely disrupted.

The Environmental Operation Control Procedure (《環境運行控制程序》) contains a section regarding noise management that specifically states its regular engagement with an independent organisation to monitor noise level. Where the noise level exceeds the prescribed level of Guangdong Province, the Group will investigate the underlying factors and make respective arrangements.

Inspection made by an independent organisation during FY2019 showed that the noise level 1 metre away from the premise was below the prescribed threshold.

#### Managing Over Environmental Impact

The Group aims to promote environmental protection during the production. The Group understands that changing employees' habits and increasing their environmental awareness requires nurturing and constant reinforcement. Therefore, posters pertaining to environmental tips and conservation reminders can be seen around the factory to remind its employees to take action.

# Environmental, Social and Governance Report

## SOCIAL

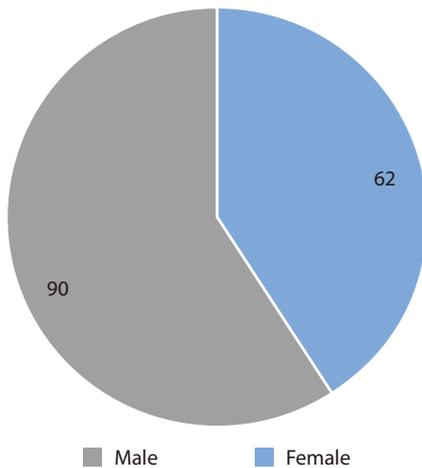
### 1. Employment

#### General Disclosure

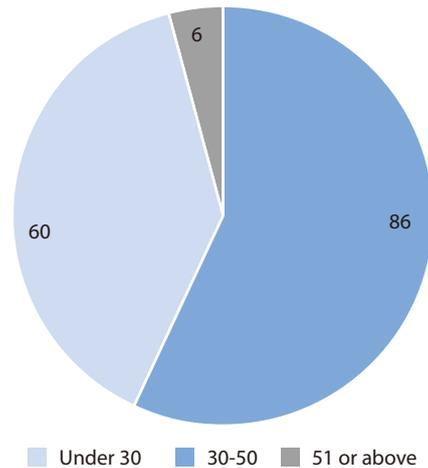
Employees are the most valuable asset of the Group. The Group recognises that the sustainable development of the Group relies heavily on good recruitment and retention practices. As at 31 December 2019, the Group had 152 full-time employees in the reported segment.

Breakdown by gender, age group and employment position are as follows:

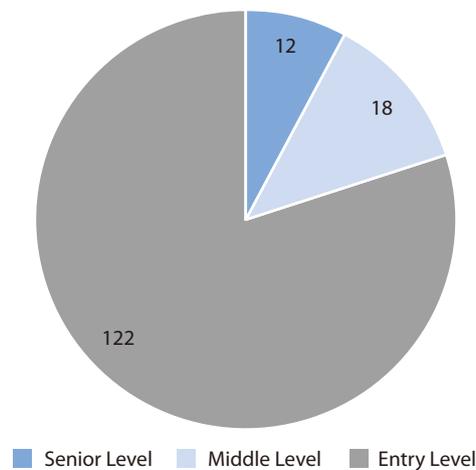
**Employee by Gender**



**Employee by Age Group**



**Employee by Employment Position**



# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 1. Employment (Continued)

#### General Disclosure (Continued)

Relevant employment policies are formally documented in the Staff Handbook, covering recruitment and remuneration, compensations and dismissal, diversity and equal opportunities, etc. The Group regularly reviews these policies and practices to ensure continuous improvement of its employment standards and competitiveness against companies in the similar industry.

During FY2019, the Group was not aware of any material non-compliance with employment-related laws and regulations that would 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, including but not limited to Labour Law of the PRC, Labour Contract Law of the PRC and Regulation on Work-Related Injury Insurances of the PRC.

#### *Talent Attraction and Retention*

The Group is committed to promoting equal opportunities and diversity in recruitment. Our employees are recruited via a robust, transparent and fair recruitment process based on their merits and their potential to fulfil the Group's current and future needs.

The Group prioritises internal promotion over external recruitment because this not only reduces administrative and time costs on recruitment but also encourages staff retention.

#### *Employees' Rights and Welfare*

The Group has formulated policies in determining the working hours and rest periods for employees following local employment laws.

The Group has established a fair, reasonable and competitive remuneration system based on fairness, competitiveness, incentives and legality. Employees' remuneration mainly comprises of basic salary, performance bonus and overtime payment. To further boost employees' morale, the Group offers financial incentives to employees with good performance. The Group conducts annual assessments on the efficacy of the said system to safeguard employees' benefits.

#### *Equal Opportunities, Diversity and Anti-discrimination*

Sustainable growth of the Group relies on the diversity of talents, regardless of their gender, age or origin. The Group devotes to creating an environment filled with equal opportunity and maintaining an inclusive and collaborative workplace culture and endeavours to protect its employees from any form of discrimination. The Group does not tolerate sexual harassment or abuse in the workplace in any form.

# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 1. Employment (Continued)

#### General Disclosure (Continued)

##### *Compensation and Dismissal*

The Group offers fair compensation packages for its employees based on employees' personal capability and benchmarks. In addition, the Group complies with the Labour Law of the PRC, which cover employees who sustain personal injury by accident or disease arising out of the course of employment.

Unreasonable dismissal under any circumstances is prohibited, dismissal would be based on reasonable and lawful grounds supported by internal policies. Verbal or written warnings will be issued to provide a fair opportunity to employees for improvement. If there is no improvement, the Group shall then consider dismissal only upon receiving dismissal instruction from the relevant department.

### 2. Health and Safety

#### General Disclosure

The Group places high priority in providing its employees with a safe and healthy working environment and strives to eliminate potential health and safety hazards at the workplace. Should an employee sustain personal injury arising out of the course of employment, an Incident Investigation Report (《安全事故調查處理報告》) will be filed and studied to ensure that the incident does not become recurrent.

During FY2019, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards, including but not limited to Labour Law of the PRC, Law of the PRC on the Prevention and Treatment of Occupational Diseases and Fire Protection Law of the PRC.

##### *Occupational Health and Safety*

The Group has in place an inspection system to ensure the health and safety of employees during its operation. The related policies are detailed in the Staff Handbook for its employees' easy reference. Fire extinguishers are stored at visibly seen area; fire escape routes are clearly shown throughout the factory. To further avoid fire hazards, no smoking is allowed within the factory, fire exits and major passageways are kept clear from obstruction. The department heads are responsible for ensuring that the factory is safe from potential health and safety malpractices. Additionally, the Group provides its employees with clean, ventilated dormitory rooms with proper sanitary facilities and proper workwear.

# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 2. Health and Safety (Continued)

#### General Disclosure (Continued)

##### *Occupational Health and Safety (Continued)*

Due to the Group's business operation and its close association with the use of flammable and corrosive substances, it is pertinent to ensure that its employees are familiar with safety knowledge and operation of fire prevention tools, such as fire extinguishers and fire blankets.

The existing fire safety system is drafted in accordance with the Fire Protection Law of the PRC and Provisions on the Supervision and Administration of Fire Protection of Construction Projects, the relevant policies can be found in the Staff Handbook.

##### *Safety Training and Inspections*

The Staff Handbook clearly stipulates that all newly hired or recently transferred employees are required to undergo a 3-step health and safety training before they are permitted to work. In addition, all employees are required to participate in regular mass toolbox meetings and trainings to keep abreast of the most updated industrial health and safety standards. These trainings sessions prepare employees for safe working practices and proper use of personal protective equipment and anti-static bracelets.

Hazard warning labels are clearly shown where applicable. Each work area is carefully labelled with conspicuous warning signs to ensure employees enter the area with appropriate protective equipment. Fire drills are conducted to raise employees' fire prevention awareness, all employees are instructed in the correct use of fire extinguishers. In response to emergencies, different places of the factory are also equipped with first aid kits and fire extinguishers. Person-in-charge of each department would regularly inspect and monitor their respective working area to ensure that all areas are clear of health hazards.

### 3. Development and Training

#### General Disclosure

##### *Training and Development*

Training and continuous development are indispensable to keep abreast of the latest trend and industrial requirements. Therefore, the Group takes a proactive approach to allow its employees to be exposed to different types of opportunities to advance their careers. The employees are encouraged to apply for internal and external training courses to refresh prior knowledge, familiarise themselves with newly updated guidelines and maintain their competitiveness within the industry.

Internally, the Group provides its employees with workshops that are related to their daily operations. Training contents are regularly updated to be in line with the industrial standard and to ensure they continue to be of relevance to the daily operation of the Group.

# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 4. Labour Standards

#### General Disclosure

##### *Prevention of Child and Forced Labour*

Child and forced labour are strictly prohibited during the recruitment process as prescribed by laws and regulations. The Group strictly complies with local laws and does not provide employment to children until they reach the legal age to work as defined by the related laws and regulations which will be stated in the following. Personal data such as identification cards will be collected to verify the identity of the interviewee during the recruitment process. Should violation occur, it will be dealt with in the light of circumstances. No employee shall be compelled to work against his or her will through force or intimidation of any form or be subjected to corporal punishment or coercion of any type related to work.

During FY2019, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Labour Law of the PRC, Labour Contract Law of the PRC and the Employment Promotion Law of the PRC.

### 5. Supply Chain Management

#### General Disclosure

##### *Suppliers Selection Mechanism*

The Procurement and Supplier Control Procedure (《採購和供方控制程式》) sets forth a very detailed rundown of the complete procurement and procedures of suppliers engagement.

The Group takes into account the prevailing market price, product suitability and reliability, delivery time and quality. The Group strives not to over-rely on a specific supplier in order to ensure a stable supply and thus the timeliness of product completion. The Group is keen on supporting its local economy and thus endeavours to source locally where practicable.

Upon qualifying as the Group's supplier, it will be evaluated annually. If the quality control pass rate falls for more than 3% below the mutually agreed acceptance quality limit, contracts with such suppliers will be de-activated. Contracts with these suppliers may only be re-activated after one year of deactivation.

To address environmental risks occasioning from the supply chain, the Group requests to verify supplier's company background, operating licence and other identification documents before the engagement. This avoids potentially engaging with companies that operate illegally or provide environmentally damaging raw materials to the Group.

# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 6. Product Responsibility

#### General Disclosure

The Group is dedicated to producing high-quality products, not only is it crucial to end-user safety, but it also attracts future business opportunities. Products are subjected to strict inspection regularly by different departments.

During FY2019, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Protection of Consumer Rights and Interests of the PRC, Advertising Law of the PRC, and Patent Law of the PRC.

#### *Product Quality and Safety*

The Group has repeatedly received ISO 9001 accreditation. The Production and Service Provision Control Management Procedure (《生產與服務提供控制管理程序》) is drafted based on the guidelines of ISO 9001 and oversees the production quality and quality control.

The existing quality management system contains clear procedures regarding management system planning, support, operation and performance evaluation. Employees are duly notified of the management system and are required to strictly abide by such procedures. The final products will be subjected to strict inspection by the quality control team. Financial incentives are in place to enhance the passing rate of products.

#### *Protection of Intellectual Property ("IP") Rights*

The Group engages in the research and development of printed circuit boards, therefore the protection of IP rights is of paramount importance to the Group. Relevant policies can be found in the Research and Development Control Procedure (《設計開發控制程序》). Employees are required to sign a confidentiality agreement before participating in any part of the production chain to avoid unwanted disclosure. Unrelated personnel is prohibited from accessing any data pertaining to the research outcome.

#### *Customer Satisfaction*

Feedback from customers is welcomed as it is the key to enhancing the Group's services. Procedures for handling feedbacks have been set up. Feedback is recorded in detail and appropriate follow-up actions are taken. Should the feedback bear significant weight to the improvement of the Group, the feedback will be considered as a case study to prevent re-occurrence.

# Environmental, Social and Governance Report

## SOCIAL (Continued)

### 6. Product Responsibility (Continued)

#### General Disclosure (Continued)

##### *Advertising and Labelling*

Due to the Group's business nature, the Group conducts an insignificant amount of publicity activities. Therefore, such business dealing does not involve material advertising and labelling related risks.

### 7. Anti-corruption

#### General Disclosure

##### *Anti-corruption*

The Group emphatically affirms its zero-tolerance stance regarding corruption, fraud and all other behaviours that severely violate professionalism and work ethics. The Group places a high priority on integrity, honesty and fairness.

During FY2019, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Anti-Unfair Competition Law of the PRC and the Criminal Law of the PRC.

##### *Whistle-blowing Mechanism*

The Group has set out a reporting and investigative procedure to encourage its employees to report fraudulent activities. The Group endeavours to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under this procedure shall be assured of the protection against unfair dismissal or victimization, even if the reports are subsequently proved to be unsubstantiated.

### 8. Community Investment

#### General Disclosure

##### *Community Investment*

The Group realises the importance of giving back to the members of the society and encourages its employees to engage in community services and voluntary activities to give back to the less-abled and financially challenged members of the public. The Group intends to extend its scope of financial contribution to benefit the financially disadvantaged in the future.

# Environmental, Social and Governance Report

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions, Sewage Discharge and Waste Management
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – Air Emissions and GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management (Not applicable – Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – Air Emissions, GHG Emissions and Waste Management
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

## Environmental, Social and Governance Report

### THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Material (Not applicable – Explained)
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Noise Control, Managing Over Environmental Impact

# Environmental, Social and Governance Report

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management

# Environmental, Social and Governance Report

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED (Continued)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

## Independent Auditor's Report



**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 72 to 132, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

## Independent Auditor's Report

### PROPERTIES FOR SALE UNDER DEVELOPMENT

#### *Refer to Note 19 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\$202,406,000 as at 31 December 2019 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:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation report to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence; and
- Checking arithmetical accuracy of the valuation model.

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.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent Auditor's Report

### 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, 27 March 2020

## Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	6	<b>476,042</b>	976,993
Cost of sales		<b>(468,594)</b>	(965,244)
Gross profit		<b>7,448</b>	11,749
Other income	7	<b>2,453</b>	9,920
Other net (loss)/gain	7	<b>(438)</b>	227
Selling and distribution expenses		<b>(1,332)</b>	(991)
Administrative expenses		<b>(20,534)</b>	(23,441)
<b>Loss from operations</b>		<b>(12,403)</b>	(2,536)
Finance costs	8	<b>(36)</b>	(26)
<b>Loss before taxation</b>	10	<b>(12,439)</b>	(2,562)
Income tax credit	9	<b>1,206</b>	1,629
<b>Loss for the year</b>		<b>(11,233)</b>	(933)
<b>Attributable to:</b>			
Owners of the Company		<b>(10,825)</b>	(485)
Non-controlling interests		<b>(408)</b>	(448)
<b>Loss for the year</b>		<b>(11,233)</b>	(933)
<b>Loss per share</b>	14		
Basic (HK cent(s) per share)		<b>(0.60)</b>	(0.03)
Diluted (HK cent(s) per share)		<b>(0.60)</b>	(0.03)

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 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(11,233)</b>	(933)
<b>Other comprehensive income/(expenses) for the year, net of tax:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change on financial assets at fair value through other comprehensive income	<b>17,943</b>	(29,431)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(2,536)</b>	(24,131)
<b>Other comprehensive income/(expenses) for the year</b>	<b>15,407</b>	(53,562)
<b>Total comprehensive income/(expenses) for the year</b>	<b>4,174</b>	(54,495)
<b>Attributable to:</b>		
Owners of the Company	<b>4,792</b>	(53,403)
Non-controlling interests	<b>(618)</b>	(1,092)
<b>Total comprehensive income/(expenses) for the year</b>	<b>4,174</b>	(54,495)

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

## Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	32,205	33,955
Financial assets at fair value through other comprehensive income	16	74,269	56,326
Deferred tax assets	17(b)	11,169	10,059
		<u>117,643</u>	<u>100,340</u>
<b>Current assets</b>			
Inventories	18	9,728	7,925
Properties for sale under development	19	202,406	203,722
Trade and bill receivables	20(a)	20,786	25,837
Prepayments, deposits and other receivables	20(b)	5,130	5,548
Due from a non-controlling shareholder of a subsidiary	22	1,052	1,072
Current tax assets	17(a)	699	699
Bank and cash balances		125,380	134,021
		<u>365,181</u>	<u>378,824</u>
<b>Current liabilities</b>			
Trade payables	21	24,825	22,905
Accruals, other payables and deposits received		7,128	9,572
Current tax liabilities	17(a)	10	–
		<u>31,963</u>	<u>32,477</u>
<b>Net current assets</b>		<u>333,218</u>	<u>346,347</u>
<b>NET ASSETS</b>		<u>450,861</u>	<u>446,687</u>

## Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Note</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	23	<b>18,159</b>	18,159
Reserves	24	<b>421,641</b>	416,849
Equity attributable to owners of the Company		<b>439,800</b>	435,008
Non-controlling interests		<b>11,061</b>	11,679
<b>TOTAL EQUITY</b>		<b>450,861</b>	446,687

The consolidated financial statements on pages 72 to 132 are approved and authorised for issue by the Board of Directors on 27 March 2020 and are signed on its behalf by:

**Feng Luming**  
*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 2019

	Attributable to owners of the Company						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	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			
At 1 January 2018	16,111	500,444	(27,810)	89	13,300	(78,746)	423,388	12,771	436,159
Total comprehensive expenses for the year	-	-	(29,431)	-	(23,487)	(485)	(53,403)	(1,092)	(54,495)
Issue of new shares under Top-Up Placing (note 23)	2,048	62,975	-	-	-	-	65,023	-	65,023
At 31 December 2018	18,159	563,419	(57,241)	89	(10,187)	(79,231)	435,008	11,679	446,687
At 1 January 2019	18,159	563,419	(57,241)	89	(10,187)	(79,231)	435,008	11,679	446,687
Total comprehensive income/ (expenses) for the year	-	-	17,943	-	(2,326)	(10,825)	4,792	(618)	4,174
<b>At 31 December 2019</b>	<b>18,159</b>	<b>563,419</b>	<b>(39,298)</b>	<b>89</b>	<b>(12,513)</b>	<b>(90,056)</b>	<b>439,800</b>	<b>11,061</b>	<b>450,861</b>

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(12,439)	(2,562)
Adjustments for:			
Amortisation	10	–	22
Depreciation	10	1,661	1,631
Bank interest income	7	(128)	(175)
Foreign exchange loss/(gain)		324	(799)
Finance costs	8	36	26
Dividend income from financial assets at fair value through other comprehensive income	7	–	(6,370)
Reversal of impairment loss on trade receivables	10	–	(360)
Loss on disposals of property, plant and equipment	7	84	54
Loss on disposal of a subsidiary	33	1	–
Write-down of inventories	10	1,270	–
		<b>(9,191)</b>	(8,533)
Operating cash flows before working capital changes		(9,191)	(8,533)
Change in inventories		(3,009)	(718)
Change in properties for sale under development		(973)	(785)
Change in trade and bill receivables		5,120	(1,836)
Change in prepayments, deposits and other receivables		418	133
Change in trade payables		1,920	4,322
Change in accruals, other payables and deposits received		(2,444)	438
		<b>(8,159)</b>	(6,979)
Cash used in operations		(8,159)	(6,979)
Hong Kong profits tax paid		–	(1,513)
Overseas tax (paid)/refund		(7)	12
		<b>(8,166)</b>	(8,480)
<b>Net cash used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Bank interest received		128	175
Proceeds from disposals of property, plant and equipment		124	47
Purchase of property, plant and equipment		(185)	(2,154)
Decrease in pledged bank deposits		–	2,677
Dividend received from financial assets at fair value through other comprehensive income		–	6,370
		<b>67</b>	7,115
<b>Net cash generated from investing activities</b>			

## Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Cash flows from financing activities</b>		
Proceeds from bank loans	<b>3,376</b>	3,038
Repayment of bank loans	<b>(3,371)</b>	(3,017)
Net proceeds from shares issued under Top-Up Placing	–	65,023
Decrease in amount due to a controlling shareholder of the Company	–	(94,092)
Capital element of obligations under finance leases	–	(129)
Interest element of obligations under finance leases	–	(10)
<b>Net cash generated from/(used in) financing activities</b>	<b>5</b>	(29,187)
<b>Net decrease in cash and cash equivalents</b>	<b>(8,094)</b>	(30,552)
Cash and cash equivalents at beginning of year	<b>134,021</b>	165,189
Effect of change in foreign exchange rate	<b>(547)</b>	(616)
<b>Cash and cash equivalents at end of year</b>	<b>125,380</b>	134,021
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>125,380</b>	134,021

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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; (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 33 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. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a new Hong Kong Financial Reporting Standard (“HKFRS”) and a number of amendments to HKFRSs that are first effective for the current accounting year of the Group. Of these, the following development is relevant to the Group’s financial statements:

- HKFRS 16, *Leases*

This development did not have a material effect on how the Group’s results and financial position for the current or prior years have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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). HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### *The Group as lessee:*

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the estimated useful lives and the lease terms on a straight-line basis.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and restoration costs. Lease liabilities include the net present value of the lease payments, discounted using the interest rate implicit in the lease if that rate can be determined, otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below United States dollars ("US\$") 5,000.

#### *The Group as lessor:*

#### *Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases are recognised on a straight-line basis over the term of the relevant lease.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 recognised 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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a promised product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the promised product or service.

Further details of the Group's revenue recognition policies are as follows:

#### (i) Sales of goods

The Group engages in sale of metals and development and provision of electronic turnkey device solutions. Sales are recognised when control of the promised products is delivered to the customer, the customer has accepted the promised products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the promised products.

A receivable is recognised when the promised products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### (ii) Provision of services

The Group engaged in provision of property development services. Revenue from provision of services is recognised in the accounting period in which the promised services are rendered. Revenue is recognised based on the actual promised service provided using the straight-line basis over the terms of contracts, because the customer receives and consumes the benefits simultaneously.

#### (iii) Contract liabilities – receipt in advances

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognises its contract liabilities under “accruals, other payables and deposits received” in the consolidated statement of financial position.

### Other income

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

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 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 vesting conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

### Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### (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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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) Properties for sale under development

Properties for sale under development is based on the estimated net realisable value of properties. 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 properties for sale under development and allowance charge/write-back in the period in which such estimate has been changed. The Group appointed an independent professional valuer to assess the net realisable value of properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

### (b) 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.

### (c) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 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"), 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.

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 purpose, 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.

	2019		2018	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
AUD	199,634	-	187,694	-
US\$	91,267	-	103,857	(50)
HK\$	-	(12,876)	-	(11,012)
RMB	355	(780)	483	(766)
SGD	12,564	-	12,428	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Foreign currency risk (Continued)

#### 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.

	2019				2018			
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax HK\$'000	Effect on accumulated losses HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax HK\$'000	Effect on accumulated losses HK\$'000	Effect on other components of equity HK\$'000
AUD	5%	-	-	9,768	5%	-	-	9,385
	(5%)	-	-	(9,768)	(5%)	-	-	(9,385)
HK\$	5%	-	-	(644)	5%	-	-	(551)
	(5%)	-	-	644	(5%)	-	-	551
SGD	5%	(628)	(628)	-	5%	(621)	(621)	-
	(5%)	628	628	-	(5%)	621	621	-

### (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 16). Therefore, the Group is exposed to equity security price risk.

At 31 December 2019, if the share prices of the financial assets at fair value through other comprehensive income increase/decrease by 5%, other comprehensive income for the year would have been approximately HK\$3,713,000 (2018: HK\$2,816,000) higher/lower, arising as a result of the fair value gain/loss on the financial assets at fair value through other comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2019 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 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 bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentrations 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;
- 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 changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk (Continued)

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.

### (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:

	Less than 1 year or on demand 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
<b>At 31 December 2019</b>					
Trade payables	24,825	-	-	24,825	24,825
Accruals and other payables	6,781	-	-	6,781	6,781
	<b>31,606</b>	<b>-</b>	<b>-</b>	<b>31,606</b>	<b>31,606</b>
<b>At 31 December 2018</b>					
Trade payables	22,905	-	-	22,905	22,905
Accruals and other payables	9,305	-	-	9,305	9,305
	<b>32,210</b>	<b>-</b>	<b>-</b>	<b>32,210</b>	<b>32,210</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Interest rate risk

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

### (f) Categories of financial instruments

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	<b>147,891</b>	163,484
Financial assets at fair value through other comprehensive income – Equity investment	<b>74,269</b>	56,326
	<b>222,160</b>	219,810
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>31,606</b>	32,210

### (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 2019 and 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

Level 3 inputs: unobservable inputs for the asset or liability

Disclosures of level in fair value hierarchy:

	Fair value measurements using:			Total HK\$'000
	Level 1 inputs HK\$'000	Level 2 inputs HK\$'000	Level 3 inputs HK\$'000	
<b>At 31 December 2019</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	<b>74,269</b>	–	–	<b>74,269</b>
<b>At 31 December 2018</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	56,326	–	–	56,326

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 6. REVENUE AND SEGMENT REPORTING

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
- 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 profit or loss do not include intercompanies income and expenses, unallocated corporate other income and other net gain or loss, unallocated corporate expenses, finance costs and income tax credit. Segment assets do not include intercompanies assets and unallocated corporate assets. Segment liabilities do not include intercompanies liabilities and unallocated corporate liabilities. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 6. REVENUE AND SEGMENT REPORTING (Continued)

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services and geographical location of customers is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or services		
– Sale of metals	418,048	911,385
– Development and provision of electronic turnkey device solutions	57,994	62,970
– Property development	–	2,638
	<b>476,042</b>	<b>976,993</b>
Disaggregated by geographical location of customers		
– Hong Kong	418,048	662,326
– The People's Republic of China (the "PRC") except Hong Kong	57,844	60,328
– Australia	–	2,638
– Singapore	–	249,059
– Other countries	150	2,642
	<b>476,042</b>	<b>976,993</b>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sale of metals		
Customer A	418,048	298,692
Customer B	–	363,634
Customer C	–	249,059

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 6. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Information about reportable segment revenue, profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance for the year is set out below.

	Sale of metals		Development and provision of electronic turnkey device solutions		Property development		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	418,048	911,385	57,994	62,970	-	-	476,042	974,355
Over time	-	-	-	-	-	2,638	-	2,638
<b>Revenue from external customers</b>	<b>418,048</b>	<b>911,385</b>	<b>57,994</b>	<b>62,970</b>	<b>-</b>	<b>2,638</b>	<b>476,042</b>	<b>976,993</b>
<b>Segment profit/(loss) before finance costs and income tax credit</b>	<b>935</b>	<b>4,871</b>	<b>(782)</b>	<b>(1,316)</b>	<b>(2,093)</b>	<b>(3,242)</b>	<b>(1,940)</b>	<b>313</b>
Bank interest income	103	71	8	23	6	77	117	171
Interest expenses	-	-	(36)	(16)	-	(10)	(36)	(26)
Depreciation	-	-	(927)	(848)	(25)	(75)	(952)	(923)
Reversal of impairment loss on trade receivables	-	-	-	360	-	-	-	360
Write-down of inventories	-	-	(1,270)	-	-	-	(1,270)	-
Capital expenditures	-	-	185	2,139	-	-	185	2,139
<b>Segment assets</b>	<b>115,262</b>	<b>121,341</b>	<b>45,042</b>	<b>49,137</b>	<b>214,305</b>	<b>216,899</b>	<b>374,609</b>	<b>387,377</b>
<b>Segment liabilities</b>	<b>104</b>	<b>103</b>	<b>26,248</b>	<b>27,875</b>	<b>4,816</b>	<b>3,799</b>	<b>31,168</b>	<b>31,777</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 6. REVENUE AND SEGMENT REPORTING (Continued)

#### (c) Reconciliations of reportable segment profit or loss, assets and liabilities

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Profit or loss</b>		
Total (loss)/profit of reportable segments	(1,940)	313
Unallocated amounts:		
Unallocated corporate other income and other net (loss)/gain	112	7,148
Unallocated corporate expenses	(10,575)	(9,997)
Finance costs	(36)	(26)
Loss before taxation	<u>(12,439)</u>	<u>(2,562)</u>
<b>Assets</b>		
Total assets of reportable segments	374,609	387,377
Unallocated corporate assets	<u>108,215</u>	<u>91,787</u>
Total assets	<u>482,824</u>	<u>479,164</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	31,168	31,777
Unallocated corporate liabilities	<u>795</u>	<u>700</u>
Total liabilities	<u>31,963</u>	<u>32,477</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 6. REVENUE AND SEGMENT REPORTING (Continued)

#### (d) 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 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, while the geographical location of specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		Specified non-current assets	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	418,048	662,326	27,690	28,399
The PRC except Hong Kong	57,844	60,328	4,504	5,403
Australia	–	2,638	11	153
Singapore	–	249,059	74,269	56,326
Other countries	150	2,642	–	–
	<b>476,042</b>	976,993	<b>106,474</b>	90,281

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Other income</b>		
Dividend income from financial assets at fair value through other comprehensive income – investments held at the end of the reporting period	–	6,370
Bank interest income	128	175
Government grants	643	1,484
Rental income	1,435	1,486
Sundry income	247	405
	<b>2,453</b>	<b>9,920</b>
<b>Other net (loss)/gain</b>		
Net foreign exchange (loss)/gain	(354)	281
Loss on disposals of property, plant and equipment	(84)	(54)
	<b>(438)</b>	<b>227</b>

### 8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans	36	16
Interest expenses on obligations under finance leases	–	10
	<b>36</b>	<b>26</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 9. INCOME TAX CREDIT

	2019 HK\$'000	2018 HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the year	6	70
Over-provision in prior years	-	(30)
	<u>6</u>	<u>40</u>
<b>Current tax - Overseas</b>		
Provision for the year	19	-
Over-provision in prior years	(9)	(117)
	<u>10</u>	<u>(117)</u>
<b>Deferred tax (note 17(b))</b>	<u>(1,222)</u>	<u>(1,552)</u>
	<u>(1,206)</u>	<u>(1,629)</u>

Hong Kong Profits Tax has been provided at 16.5% of the estimated assessable profits for the years ended 31 December 2019 and 2018, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

Taxation for overseas subsidiaries for the year ended 31 December 2019 is charged at 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 2018 as the Group did not have any assessable profits arising outside Hong Kong during that year.

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

	2019 HK\$'000	2018 HK\$'000
Loss before taxation	<u>(12,439)</u>	<u>(2,562)</u>
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	(2,052)	(423)
Tax effect of expenses that are not deductible	302	232
Tax effect of income that are not taxable	(24)	(1,063)
Over-provision in prior years	(9)	(147)
Tax effect of tax losses not recognised	1,069	469
Tax effect of different tax rates of subsidiaries	(550)	(698)
Others	58	1
	<u>(1,206)</u>	<u>(1,629)</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 10. LOSS BEFORE TAXATION

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	17,626	19,445
Retirement benefits scheme contributions	911	990
	<b>18,537</b>	20,435
Auditor's remuneration	640	635
Cost of inventories sold	467,324	963,123
Amortisation	–	22
Depreciation ( <i>note 15</i> )	1,661	1,631
Reversal of impairment loss on trade receivables ( <i>note 20</i> )	–	(360)
Write-down of inventories	1,270	–
Research and development costs (other than amortisation costs)	2,389	4,344
Expenses relating to short-term leases	1,852	1,833
Expenses relating to leases of low-value assets that are not short-term leases	14	14

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$8,054,000 (2018: approximately HK\$7,523,000), while research and development costs included staff costs and depreciation totalling approximately HK\$1,925,000 (2018: approximately HK\$1,771,000), which are included in the amounts disclosed separately above.

#### *Disclosures of lease-related items*

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Lease commitments relating to short-term leases	145	142

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

The remunerations of each Director are as follows:

Name of Director	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
Cao Jianguo	-	650	-	-	36	686
Feng Luming	-	520	-	-	36	556
Jin Xiaozheng	-	195	-	-	20	215
Chang Tat Joel	120	-	-	-	-	120
Ho Gilbert Chi Hang	120	-	-	-	-	120
Tsui Kun Lam Ivan	120	-	-	-	-	120
Chan Wing Mui Helen	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
<b>Total for 2019</b>	<b>600</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>2,057</b>

Name of Director	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
Cao Jianguo	-	650	-	-	36	686
Feng Luming	-	520	-	-	36	556
Jin Xiaozheng	-	195	-	-	20	215
Chang Tat Joel	120	-	-	-	-	120
Ho Gilbert Chi Hang	120	-	-	-	-	120
Tsui Kun Lam Ivan	120	-	-	-	-	120
Chan Wing Mui Helen	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
<b>Total for 2018</b>	<b>600</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>2,057</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 11. 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 two (2018: one) Directors whose remunerations are reflected in the analysis presented above. The remunerations of the three (2018: four) individuals are set out below:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Basic salaries and allowances	<b>3,792</b>	5,481
Retirement benefit scheme contributions	<b>200</b>	304
	<b>3,992</b>	5,785

The remunerations of the three (2018: four) individuals with the highest remunerations are within the following bands:

	<b>2019</b> <b>Number of individuals</b>	2018 Number of individuals
Nil - HK\$1,000,000	<b>1</b>	1
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 - HK\$2,000,000	<b>1</b>	-
HK\$2,000,001 - HK\$2,500,000	<b>-</b>	1

During the year, no remunerations were paid by the Group to any of the Directors and/or the three 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 three 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:

	<b>2019</b> <b>Number of individuals</b>	2018 Number of individuals
Nil - HK\$1,000,000	<b>2</b>	1
HK\$1,000,001 - HK\$1,500,000	<b>-</b>	1

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 12. 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.

### 13. DIVIDENDS

The board of directors (the “Board”) does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

### 14. LOSS PER SHARE

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

	2019 HK\$'000	2018 HK\$'000
<b>Loss:</b>		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<u>(10,825)</u>	<u>(485)</u>
	2019 '000	2018 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,815,911</u>	<u>1,650,949</u>

The basic and diluted loss per share for the years ended 31 December 2019 and 2018 were the same as the Company had no dilutive potential ordinary shares in issue during the years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 15. 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
<b>Cost</b>						
At 1 January 2018	29,132	7,248	1,466	866	1,330	40,042
Additions	-	2,026	104	-	24	2,154
Disposals	-	(603)	(85)	-	-	(688)
Exchange differences	-	(434)	(73)	(56)	(43)	(606)
At 31 December 2018 and 1 January 2019	29,132	8,237	1,412	810	1,311	40,902
Additions	-	116	17	-	52	185
Disposals	-	(339)	-	(222)	-	(561)
Disposal of a subsidiary	-	-	(160)	-	-	(160)
Exchange differences	-	(150)	(20)	11	(16)	(175)
<b>At 31 December 2019</b>	<b>29,132</b>	<b>7,864</b>	<b>1,249</b>	<b>599</b>	<b>1,347</b>	<b>40,191</b>
<b>Accumulated depreciation</b>						
At 1 January 2018	510	3,919	754	395	628	6,206
Charge for the year	583	625	149	91	183	1,631
Written back on disposals	-	(561)	(26)	-	-	(587)
Exchange differences	-	(206)	(38)	(28)	(31)	(303)
At 31 December 2018 and 1 January 2019	1,093	3,777	839	458	780	6,947
Charge for the year	582	699	125	64	191	1,661
Written back on disposals	-	(246)	-	(107)	-	(353)
Disposal of a subsidiary	-	-	(160)	-	-	(160)
Exchange differences	-	(77)	(11)	(9)	(12)	(109)
<b>At 31 December 2019</b>	<b>1,675</b>	<b>4,153</b>	<b>793</b>	<b>406</b>	<b>959</b>	<b>7,986</b>
<b>Carrying amount</b>						
<b>At 31 December 2019</b>	<b>27,457</b>	<b>3,711</b>	<b>456</b>	<b>193</b>	<b>388</b>	<b>32,205</b>
At 31 December 2018	28,039	4,460	573	352	531	33,955

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Equity securities, at fair value</b>		
Listed in Singapore	<b>74,269</b>	56,326
<b>Analysed as:</b>		
Non-current assets	<b>74,269</b>	56,326

The investment represents the subscription of 21,431,000 ordinary shares (the "Jinjiang Shares") of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) ("China Jinjiang") (formerly known as China Jinjiang Environment Holding Company Limited) (the "Subscription") at an aggregate subscription price of SGD19,287,900 (equivalent to approximately HK\$111,727,000). China Jinjiang is listed in Singapore. The quotation and dealing of the Jinjiang Shares on the Main Board of the Singapore Exchange Securities Trading Limited commenced on 3 August 2016. Immediately upon completion of the Subscription, the Group held approximately 1.78% of the total issued share capital of China Jinjiang (assuming that the over-allotment option in connection with the offering of the Jinjiang Shares (the "Over-allotment Option") is not exercised). The Over-allotment Option was subsequently partially exercised on 1 September 2016, and as a result, as at 31 December 2019, the Group held approximately 1.47% (2018: 1.48%) 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 this 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 17. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) **Current tax (assets)/liabilities in the consolidated statement of financial position represents:**

	2019 HK\$'000	2018 HK\$'000
Provision for Hong Kong Profits Tax for the year	10	70
Provisional Profits Tax paid	-	(769)
	10	(699)
Balance of Profits Tax provision relating to prior years	(699)	-
	(689)	(699)

(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 movement during the year are as follows:

<b>Deferred tax arising from:</b>	<b>Future benefit of tax losses HK\$'000</b>
At 1 January 2018	9,494
Credited to the consolidated profit or loss (note 9)	1,552
Exchange differences	(987)
At 31 December 2018 and 1 January 2019	10,059
Credited to the consolidated profit or loss (note 9)	1,222
Exchange differences	(112)
<b>At 31 December 2019</b>	<b>11,169</b>

(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\$23,759,000 (2018: approximately HK\$24,390,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$5,872,000 (2018: approximately HK\$6,741,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 18. INVENTORIES

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Raw materials	<b>2,226</b>	4,029
Work in progress	<b>2,954</b>	2,578
Finished goods	<b>4,548</b>	1,318
	<b>9,728</b>	7,925

### 19. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<b>HK\$'000</b>
At 1 January 2018	224,166
Additions	785
Exchange differences	(21,229)
At 31 December 2018 and 1 January 2019	203,722
Additions	973
Exchange differences	(2,289)
<b>At 31 December 2019</b>	<b>202,406</b>

As at 31 December 2019, 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:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Outside Hong Kong – Freehold	<b>185,674</b>	187,784

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 20. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### (a) Trade and bill receivables

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade and bill receivables	<b>24,484</b>	31,452
Less: Provision for loss allowance	<b>(3,698)</b>	(5,615)
	<b>20,786</b>	25,837

The Group's trading terms with its customers of the business of development and provision of electronic turnkey device solutions are mainly on credit. The credit terms generally range from 15 to 90 days. Each customer has a maximum credit limit. For 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
30 days or less	<b>18,247</b>	21,493
31 days to 60 days	<b>2,460</b>	2,323
61 days to 90 days	–	743
91 days to 120 days	–	106
Over 120 days	<b>79</b>	1,172
	<b>20,786</b>	25,837

The balance of trade and bill receivables included an amount of approximately HK\$2,603,000 (2018: approximately HK\$2,228,000) in relation to bill receivables as at 31 December 2019.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 20. 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:

	2019 HK\$'000	2018 HK\$'000
AUD	–	911
US\$	–	99
RMB	<b>20,786</b>	24,827
	<b>20,786</b>	25,837

Movement of loss allowance for trade and bill receivables:

	2019 HK\$'000	2018 HK\$'000
At 1 January	<b>5,615</b>	6,185
Reversal of impairment loss (note 10)	–	(360)
Disposal of a subsidiary	<b>(1,847)</b>	–
Exchange differences	<b>(70)</b>	(210)
At 31 December	<b>3,698</b>	5,615

The Group applies the simplified approach under HKFRS 9, *Financial Instruments*, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

#### (a) Trade and bill receivables (Continued)

	Current	30 days or less past due	31 days to 120 days past due	Over 120 days past due	Total
<b>At 31 December 2019</b>					
Weighted average expected loss rate	-	-	-	98%	
Receivable amount (HK\$'000)	16,989	3,718	-	3,777	24,484
Loss allowance (HK\$'000)	-	-	-	(3,698)	(3,698)
<b>At 31 December 2018</b>					
Weighted average expected loss rate	-	19%	53%	80%	
Receivable amount (HK\$'000)	22,028	2,757	882	5,785	31,452
Loss allowance (HK\$'000)	-	(535)	(466)	(4,614)	(5,615)

#### (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\$11,000 (2018: approximately HK\$11,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 21. TRADE PAYABLES

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
30 days or less	<b>19,497</b>	16,950
31 days to 60 days	<b>2,696</b>	2,133
61 days to 90 days	<b>1,154</b>	1,511
91 days to 120 days	<b>630</b>	802
Over 120 days	<b>848</b>	1,509
	<b>24,825</b>	22,905

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
RMB	<b>24,825</b>	22,905

### 22. DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 23. 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.

	2019 HK\$'000	2018 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid:		
1,815,910,767 ordinary shares of HK\$0.01 each	<b>18,159</b>	18,159

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

	Number of shares issued '000	Share capital HK\$'000
At 1 January 2018	1,611,111	16,111
Issue of new shares under Top-Up Placing ( <i>note</i> )	204,800	2,048
<b>At 31 December 2018, 1 January 2019 and 31 December 2019</b>	<b>1,815,911</b>	<b>18,159</b>

*Note:* On 22 October 2018, the Company completed a placing of existing Shares and top-up subscription for new Shares under general mandate (the "Top-Up Placing"). A total of 204,800,000 Shares had been placed at the placing price of HK\$0.321 per Share to not less than six independent placees procured by or on behalf of the sole placing agent. Accordingly, the Company's issued share capital was increased by approximately HK\$2,048,000 and its share premium account was increased by approximately HK\$62,975,000 (after deduction of the transaction costs related to the Top-Up Placing of approximately HK\$718,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 24. 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.

### (b) The Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018	500,444	(39,461)	460,983
Total comprehensive expenses for the year	–	(109,572)	(109,572)
Issue of new shares under Top-Up Placing ( <i>note 23</i> )	62,975	–	62,975
At 31 December 2018	563,419	(149,033)	414,386
At 1 January 2019	563,419	(149,033)	414,386
Total comprehensive income for the year	–	2,836	2,836
<b>At 31 December 2019</b>	<b>563,419</b>	<b>(146,197)</b>	<b>417,222</b>

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 24. RESERVES (Continued)

### (c) Nature and purpose of reserves of the Group (Continued)

#### (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.

## 25. 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 resources 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 25. SHARE-BASED PAYMENTS (Continued)

### *Equity-settled share option scheme (Continued)*

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.

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 2019 and 2018 and no share options were outstanding as at 31 December 2019 and 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 26. 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:

	Bank loans HK\$'000	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 2018	–	134	93,779	93,913
Changes in cash flows	21	(139)	(94,092)	(94,210)
Non-cash change				
– interest charged	16	10	–	26
– exchange differences	(37)	(5)	313	271
<b>At 31 December 2018 and 1 January 2019</b>	–	–	–	–
Changes in cash flows	5	–	–	5
Non-cash change				
– interest charged	36	–	–	36
– exchange differences	(41)	–	–	(41)
<b>At 31 December 2019</b>	–	–	–	–

### 27. CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

### 28. PLEDGE OF ASSETS

As at 31 December 2019, the Group did not have assets under pledge (2018: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 29. 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:

	2018 <i>HK\$'000</i>
Within one year	161
In the second to fifth year inclusive	40
	<u>201</u>

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

### *As lessor*

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

	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
Within one year	<u>127</u>	<u>116</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 30. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE CONSOLIDATED FINANCIAL STATEMENTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Authorised but not contracted for:		
Capital contribution to a subsidiary	<b>1,564</b>	1,594

## 31. 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Compensation of key management personnel		
Short-term benefits	<b>1,965</b>	1,965
Post-employment benefits	<b>92</b>	92
	<b>2,057</b>	2,057

## 32. EVENTS AFTER THE REPORTING PERIOD

There are no significant events happened after the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 33. 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 2019 were as follows:

Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
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
佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian")	The PRC	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 products
Hailiang Property Group Australia Pty Ltd	Australia	10,000 ordinary shares of AUD1 each	100%	-	Property development
Hailiang Property Campsie Pty Ltd	Australia	10,000 ordinary shares of AUD1 each	-	100%	Property development

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 33. 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 2019 were as follows: (Continued)**

In January 2019, the Group transferred all the shares of a subsidiary, Global Winner Enterprises Limited, to an independent third party at a consideration of HK\$1 with a loss on disposal of approximately HK\$1,000.

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

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) at 50.21%, 45.64% and 4.15% respectively.

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) at 68% and 32% respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 33. 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 Principal place of business/country of incorporation	Foshan Lianchuang Hualian The PRC	
	2019	2018
% of ownership interest/voting rights held by NCI	<b>49.79%</b>	49.79%
	<b>HK\$'000</b>	HK\$'000
<b>At 31 December:</b>		
Non-current assets	<b>6,345</b>	7,226
Current assets	<b>37,237</b>	39,158
Current liabilities	<b>(26,226)</b>	(27,841)
Net assets	<b>17,356</b>	18,543
Carrying amount of NCI	<b>8,642</b>	9,232
<b>Years ended 31 December:</b>		
Revenue	<b>57,551</b>	62,537
Loss for the year	<b>(856)</b>	(728)
Loss allocated to NCI	<b>(426)</b>	(362)
Total comprehensive expenses	<b>(1,187)</b>	(1,751)
Total comprehensive expenses allocated to NCI	<b>(591)</b>	(872)
Net cash generated from operating activities	<b>2,245</b>	1,173
Net cash used in investing activities	<b>(163)</b>	(2,085)
Net increase/(decrease) in cash and cash equivalents	<b>2,082</b>	(912)

**(c) Significant restriction**

As at 31 December 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$5,429,000 (2018: approximately HK\$4,202,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

### 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		234	361
Interests in subsidiaries ( <i>note a</i> )	33	284,470	274,936
		<b>284,704</b>	275,297
<b>Current assets</b>			
Due from subsidiaries ( <i>note b</i> )		146,641	151,024
Prepayments, deposits and other receivables		342	340
Bank and cash balances		4,435	6,563
		<b>151,418</b>	157,927
<b>Current liabilities</b>			
Due to a subsidiary ( <i>note b</i> )		6	–
Accruals and other payables		735	679
		<b>741</b>	679
<b>Net current assets</b>		<b>150,677</b>	157,248
<b>NET ASSETS</b>		<b>435,381</b>	432,545
<b>Capital and reserves</b>			
Share capital	23	18,159	18,159
Reserves	24(b)	417,222	414,386
<b>TOTAL EQUITY</b>		<b>435,381</b>	432,545

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Interests in subsidiaries

	2019 HK\$'000	2018 HK\$'000
Unlisted investments, at cost	70,963	70,963
Loan to a subsidiary	155,088	156,850
Amount due from a subsidiary	58,419	47,123
	<b>284,470</b>	<b>274,936</b>

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 2021.

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

## 35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 March 2020.

## Particulars of Major Properties and Property Interests

As at 31 December 2019

### Properties for sale under development

<b>Property address:</b>	445-453 Canterbury Road, Campsie, New South Wales 2194, Australia
<b>Registered lots:</b>	13/DP3995, 15/DP3995, 3/DP337683, A/DP355656, B/DP355656, A/DP391661, B/DP391661, A/DP416123, B/DP416123
<b>Approximate site area:</b>	4,416.0 sq.m.
<b>Approximate gross floor area after redevelopment:</b>	13,943.2 sq.m.
<b>Existing use:</b>	Shops
<b>Proposed use:</b>	Residential and commercial
<b>Effective interest:</b>	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				2019 HK\$'000
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	
<b>RESULTS</b>					
Revenue	142,562	200,080	702,432	976,993	<b>476,042</b>
(Loss)/Profit for the year	(17,614)	(17,678)	7,340	(933)	<b>(11,233)</b>
(Loss)/Profit for the year attributable to:					
Owners of the Company	(16,367)	(15,896)	5,321	(485)	<b>(10,825)</b>
Non-controlling interests	(1,247)	(1,782)	2,019	(448)	<b>(408)</b>
	(17,614)	(17,678)	7,340	(933)	<b>(11,233)</b>
<b>As at 31 December</b>					
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	491,583	449,016	558,669	479,164	<b>482,824</b>
Total liabilities	(36,813)	(31,427)	(122,510)	(32,477)	<b>(31,963)</b>
	454,770	417,589	436,159	446,687	<b>450,861</b>
Equity attributable to owners of the Company	444,680	409,856	423,388	435,008	<b>439,800</b>
Non-controlling interests	10,090	7,733	12,771	11,679	<b>11,061</b>
	454,770	417,589	436,159	446,687	<b>450,861</b>