



**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**  
**2022**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Dr. Chan Wing Mui Helen  
Mr. Chiu King Yan  
Mr. Wang Cheung Yue

## AUDIT COMMITTEE

Mr. Chiu King Yan (*Chairman*)  
Dr. Chan Wing Mui Helen  
Mr. Wang Cheung Yue

## REMUNERATION COMMITTEE

Dr. Chan Wing Mui Helen (*Chairman*)  
Mr. Chiu King Yan  
Mr. Wang Cheung Yue

## NOMINATION COMMITTEE

Mr. Wang Cheung Yue (*Chairman*)  
Mr. Cao Jianguo (曹建國先生)  
Dr. Chan Wing Mui Helen  
Mr. Chiu King Yan

## CREDIT COMMITTEE

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

## COMPANY SECRETARY

Ms. Mak Po Man Cherie

## 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  
Third 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  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## COMPANY'S WEBSITE

[www.hailianghk.com](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 2022.

## BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

Suffering from the high volatility in the price of metal materials and the resultant decrease in market demand of raw metals, and the depressed domestic consumption in China, the Group's overall revenue was affected. Yet, the Group had put efforts in mitigating the impact on its overall margin through implementing effective cost containment measures. For the year ended 31 December 2022, the Group's revenue dropped by 83% to HK\$122,135,000 (2021: HK\$707,736,000), and gross profit decreased by 4% to HK\$8,191,000 (2021: HK\$8,509,000). The Group reported loss of HK\$10,538,000 for the year ended 31 December 2022 (2021: HK\$9,834,000), and the loss attributable to owners of the Company was HK\$9,813,000 (2021: HK\$9,754,000). Basic loss per share was HK0.54 cent (2021: HK0.54 cent).

During the year under review, despite the severe hardship towards the business of sale of metals, the Group had put efforts in maintaining its business relationship with customers and suppliers and managed to retain the orders from business partners and customers.

During the year under review, the Group continued to pursue development of its property development project in Sydney, Australia to enhance the growth prospect of the Group. Further announcement(s) will be made by the Company as and when appropriate pursuant to the requirements under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## PROSPECTS

Looking forward, the global economy will continue to be affected by inflation and geopolitical tension. These are uncertain times, but we have risen to the occasion and will continue to do so.

The Group has been managing its businesses prudently and expanding its business ventures, particularly strengthening its sales and marketing force of the business of sale of metals, so as to maintain continual development and gain a foothold in the overseas market. The Group will also keep abreast of the market dynamics to capture business opportunities favourable to the continual development strategy of the Group, with a view to create greater value for the Group and generate return to the shareholders of the Company (the "Shareholders").

# Chairman's Statement

## 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 difficult year.

**Cao Jianguo 曹建國**

*Chairman*

Hong Kong, 24 March 2023

# Management Discussion and Analysis

## BUSINESS OVERVIEW

For the year ended 31 December 2022, 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 2022, the Group reported revenue of HK\$122,135,000, representing a 83% decrease as compared with the same period in 2021 (2021: HK\$707,736,000), and gross profit of HK\$8,191,000, representing a 4% decrease as compared with the same period in 2021 (2021: HK\$8,509,000). The Group reported loss of HK\$10,538,000 (2021: HK\$9,834,000) and other comprehensive expenses of HK\$27,090,000 (2021: HK\$52,306,000), comprising exchange loss arising from translating foreign operations of HK\$14,925,000 (2021: HK\$11,371,000) and fair value loss 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) (“Zheneng Jinjiang”) of HK\$12,165,000 (2021: HK\$40,935,000), which led to the result that the Group recorded total comprehensive expenses of HK\$37,628,000 for the year ended 31 December 2022 (2021: HK\$62,140,000). The loss attributable to owners of the Company for the year ended 31 December 2022 was HK\$9,813,000 (2021: HK\$9,754,000); whereas basic loss per share was HK0.54 cent (2021: HK0.54 cent).

In general, the disappointing financial performance of the Group as compared with the same period in 2021 was mainly attributable to the decrease in market demand of raw metals. The intensified geopolitical and economic tension led to a high volatility in the price of metal materials and increased the uncertainty of business environment, which caused severe hardship to the business of sale of metals. On the other hand, the increase in exchange loss arising from translating foreign operations recognised under the other comprehensive expenses of the Group resulted from the depreciation of both Renminbi and Australian dollars against Hong Kong dollars since the beginning of 2022.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Sale of Metals

Owing to the drop in sales volume of metals, this segment recorded segment revenue of HK\$37,821,000 (2021: HK\$608,633,000), which represented 31% of the Group's total revenue for the year ended 31 December 2022 (2021: 86%). Despite the decreased segment revenue, this segment recorded segment profit of HK\$103,000 (2021: HK\$135,000) due to the cost-effective measures on operating expenses.

For the business of sale of metals, payment in advance is normally required. The Group grants credit term to selected customers with continuous monitoring after thorough credibility evaluation. As the Group maintains strict credit controls on its customers in order to protect the interests 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 People's Republic of China (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. Suffering from the resurgence of novel coronavirus ("COVID-19") pandemic and the resultant extended lockdowns depressed industrial production as well as domestic consumption in China, this segment recorded segment revenue of HK\$84,314,000 (2021: HK\$99,103,000) and segment loss of HK\$1,133,000 (2021: segment profit of HK\$20,000).

### 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 2022, no segment revenue (2021: Nil) and segment loss of HK\$1,580,000 (2021: HK\$2,013,000) were recorded. The decrease in segment loss was mainly due to the effective cost containment measures on operating and administrative expenses during the year under review.

# 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 Planning Proposal (as defined below) of site rezoning has been approved by the Canterbury Bankstown Council (the “Council”) and permitted by the Department of Planning and Environment of the New South Wales Government (the “Department”) to proceed forward. This stage is the pathway to obtain the development consent in relation to the land in Australia acquired by the Group in February 2015 (the “Site”). Details of the 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 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 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 Environmental Plan 2012 (the “LEP”) 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 proactively advocating for the rezoning of the Site by actively meeting the Council and the Department. In addition, the Group is exploring the possibilities of alternative development strategies and plans that are permitted within the current zoning in order to speed up 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 the State government have both indicated support for a healthcare use on the Site, which is permissible within the current zoning and achieves the Council’s desire of employment purpose on the Site. The development consent would be expected to be within a 12-month to 18-month time frame after the submission of a development proposal.

# Management Discussion and Analysis

## **BUSINESS REVIEW (Continued)**

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

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

In July 2020, after seeking professional advice in Australia, the Group lodged an application to the Council to amend the LEP with a planning proposal for a private hospital (the "Planning Proposal"). The Planning Proposal is in line with the Council's preference to retain employment purpose along Canterbury Road, where the Site is located. The amendments mainly proposed a significant increase in the height control for the Site from 12 metres to 45.5 metres (revised), which will allow an overall increase in the floor area of the Site.

In December 2021, the Planning Proposal was reviewed by the Council's Local Planning Panel and be agreed by majority, and be submitted to the Council for approval. In March 2022, the Planning Proposal was presented in the ordinary Council meeting and be permitted to proceed to the Department for further approval.

In June 2022, the Department issued a Gateway Determination to permit (with consent) the Planning Proposal to proceed forward. The Planning Proposal and the amendments to the LEP have been approved by the Council. The Group is now finalising a voluntary planning agreement (the "VPA") with the Council regarding the statutory contributions to be made to the Council in connection with development. The VPA is expected to be approved in the ordinary Council meeting to be held in May 2023.

In addition, the Group has commenced discussions with prospective operators for the healthcare and medical facility. The final planning stage will be a state significant development application, which details the design and operation of the healthcare and medical facility. This stage will commence when a preferred operator is secured.

Once the Group has obtained more information from the prospective preferred operator, the Board will conduct further feasibility study on the Site and consider whether the proposal to transform the use of the Site to healthcare and medical facility will be in the best interest of the Company and the Shareholders as a whole. As at the date of this annual report, the Board has not yet decided to transform the Site to healthcare and medical facility.

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

### **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 Zheneng 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 2022, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2021: 1.47%).

# Management Discussion and Analysis

## BUSINESS REVIEW (Continued)

### Investment in the Jinjiang Shares (Continued)

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\$36,683,000 as at 31 December 2022 (31 December 2021: HK\$48,848,000), accounting for 9% of the Group's total assets (31 December 2021: 11%). During the year under review, a fair value loss on the investment in the Jinjiang Shares of HK\$12,165,000 was recorded under other comprehensive expenses in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022 (2021: HK\$40,935,000), which was mainly attributable to a 25% decrease in the market price of the Jinjiang Shares (2021: 45%) since the beginning of 2022.

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 Zheneng Jinjiang, the principal business in the PRC of which includes generation and sales of electricity and steam, operation of waste-to-energy plants and project management, technical consulting and advisory services and energy management contracting business. Having considered the financial performance, business development and prospects of Zheneng 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 2022.

## PROSPECTS

Looking forward, the global economy will continue to be affected by inflation and geopolitical tension. The Group will strengthen its sales and marketing force and explore opportunities with potential suppliers and customers of the business of sale of metals. The Group will continue to pursue development of its project in Sydney, Australia to enhance the growth prospect of the Group. The Group will also keep abreast of the market dynamics to capture business opportunities favourable to the continual development strategy of the Group, with a view to create greater value for the Group and generate return to the Shareholders.

# Management Discussion and Analysis

## 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 47 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 and the impact of COVID-19 pandemic in the PRC. The prevailing global uncertainty may materially and adversely affect the business of customers or potential customers, or cause a further slowdown in economic activities in the PRC which, in turn, may lead to lower demand for electronic and related products. This may adversely affect the Group's financial position, potential income, asset value and liabilities.

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

### Regulation and Government Policies Risk

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

### Strategic Direction Risk

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

### Real Estate Market Risk

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

# Management Discussion and Analysis

## KEY RISKS AND UNCERTAINTIES (Continued)

### 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.

### COVID-19 Pandemic

COVID-19 continued to spread around the world during 2022. The Group closely monitors the impact of the COVID-19 pandemic on the Group's business and economic activities and the extent of potential disruption caused, so as to assess the impact of the COVID-19 pandemic on the Group's operations and financial performance, and will disclose it separately when necessary.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2022, the Group had current assets of HK\$340,255,000 (31 December 2021: HK\$370,054,000) comprising bank and cash balances of HK\$93,878,000 (31 December 2021: HK\$100,681,000), and net current assets of HK\$293,472,000 (31 December 2021: HK\$322,417,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$46,783,000 (31 December 2021: HK\$47,637,000), maintained at a healthy level of 7.2 times (31 December 2021: 7.7 times) as at the end of the year under review.

As at 31 December 2022, the Group's equity attributable to owners of the Company was HK\$367,280,000 (31 December 2021: HK\$403,261,000).

The Group's gearing ratio represented its total borrowings (including lease liabilities) over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2022, the Group had no bank borrowings (31 December 2021: Nil) while had other borrowings of HK\$2,603,000 (31 December 2021: HK\$2,205,000), amount due to a controlling shareholder of the Company of HK\$1,697,000 (31 December 2021: Nil) and lease liabilities of HK\$3,243,000 (31 December 2021: Nil), which were all denominated in Renminbi with fixed interest rate, and the Group's equity attributable to owners of the Company amounted to HK\$367,280,000 (31 December 2021: HK\$403,261,000). The Group's gearing ratio was therefore maintained at a low level of 2.0% as at 31 December 2022 (31 December 2021: 0.5%).

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### Liquidity and Financial Resources (Continued)

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.

### Changes in Share Capital

During the year under review, there were no changes in the issued share capital of the Company. As at 31 December 2022, 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.

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

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

### Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

### Pledge on Assets

As at 31 December 2022, no assets of the Group were pledged to secure its banking facilities (31 December 2021: Nil).

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### Capital Commitments

As at 31 December 2022, the contracted capital commitments of the Group amounted to HK\$7,196,000 (31 December 2021: Nil) whereas the capital commitments had contracted with a party but not provided for in the financial statements of the Group. The commitments, which are for the purchase of property, plant and equipment, will be financed by internal resources and/or external debts and/or by equity financing.

As at 31 December 2022, the authorised capital commitments of the Group amounted to HK\$1,584,000 (31 December 2021: HK\$1,715,000) whereas the capital commitments neither had contracted with parties nor provided for in the financial statements of the Group. The commitments, which are capital contribution to a subsidiary, will be financed by internal resources and/or external debts 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 2022, the Group had approximately 214 employees (31 December 2021: approximately 223) including the directors of the Company (the "Directors"). Total staff costs for the year under review, including Directors' remuneration, was HK\$20,914,000 (2021: HK\$20,700,000). 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 and discretionary bonus.

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 business 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 were 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 engagement with 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 60, has been an Executive Director of the Company since 12 May 2014 and the Chairman of the Board since 16 June 2017. Mr. Cao has been a director and the Chairman of the board of directors of Zhejiang Hailiang Co., Ltd.# (浙江海亮股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 002203) (“Zhejiang Hailiang”) since 27 February 2023, a director of Hailiang Group Co., Ltd.# (海亮集團有限公司) (“Hailiang Group”) since March 2016, and the Chairman of the board of directors of Hailiang Group since April 2021. He was the President of Hailiang Group from January 2021 to November 2021 and the Chairman of Hailiang Group from March 2016 to January 2021. He served as the Chief Executive Officer of the Company from 29 August 2014 to 16 June 2017. Mr. Cao served as the Chairman of Zhejiang Hailiang from October 2013 to August 2016, and a general manager of Zhejiang Hailiang from October 2010 to August 2016.

Mr. Cao is a senior engineer and senior economist in the PRC. Mr. Cao holds a Bachelor Degree in Metallurgy from the Jiangxi Institute of Metallurgy (江西冶金學院) (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 has been appointed as the vice chairman of China Nonferrous Metals Industry Association (中國有色金屬工業協會) since April 2021. Mr. Cao is the judging panel expert of The State Science Technology Awards (中國國家科學技術獎), the vice chairman of the third, fourth and fifth National Nonferrous Metals Standardisation Technological Committee (第三屆、第四屆及第五屆全國有色金屬標準化技術委員會), the Chairman of the International Organisation for Standardisation (ISO) of the Copper and Copper Alloy Technical Committee (銅及銅合金技術委員會) (TC26) and the Honorary Chairman of China Nonferrous Metal Processing Industry Association (中國有色金屬加工工業協會). 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), “Model Worker of National Nonferrous Metals Industry” (全國有色金屬行業勞動模範), “Model Worker of Shaoxing City” (紹興市勞動模範), “Senior Expert of Shaoxing City” (紹興市高級專家), “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), “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中國民企年度創新人物), “Zhejiang Province’s Ten Best Business Managers for the Year 2011” (2011年度浙江省十佳事業經理人), “2016-2017 Most Entrepreneur Honoured 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 “Global Zhejiang Entrepreneur Gold Award” (全球浙商金獎).

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 interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”).

# *literal translation of the Chinese company name*

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS (Continued)

**Mr. Feng Luming** (馮櫓銘先生), aged 36, has been an Executive Director since 1 May 2017 and the Chief Executive Officer of the Company since 17 June 2017. Mr. Feng has been a director of Zhejiang Hailiang since 27 February 2023, a general manager of Zhejiang Hailiang since 10 February 2023, a director of Hailiang Group since March 2016, a director of Hangzhou Hailiang Early Childhood Education Group Co., Ltd. (杭州海亮學前教育集團有限公司) since July 2017, an executive director of Natregro Healthy Food Group Ltd. (明康匯健康食品集團有限公司) since August 2014, an executive director of Zhejiang Hailiang E-commerce Co., Ltd. (浙江海亮電子商務有限公司) since October 2015, and an executive director of Hangzhou Puying Trading Limited (杭州璞熒貿易有限公司) since December 2015. Mr. Feng was a vice president of Hailiang Group from October 2014 to March 2019, and a director of Zhejiang Hailiang from August 2016 to September 2019. 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 is the son of Mr. Feng Hailiang (馮海良先生), a controlling shareholder of the Company. Other than that, Mr. Feng does not have any relationships with any Directors, senior management or substantial shareholders of the Company.

Mr. Feng did not have any interests 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 39, has been an Executive Director of the Company since 22 August 2017. Dr. Jin was an executive director and a 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 a Doctoral Degree in Philosophy 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 interests 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

**Dr. Chan Wing Mui Helen**, aged 64, has been an Independent Non-executive Director of the Company since 1 May 2017. Dr. Chan is the Chief Executive Officer (Honorary) of the Promoting Happiness Index Foundation. Dr. Chan has been an independent non-executive director of Frontier Services Group Limited (a company listed on the Stock Exchange, Stock Code: 500) since 21 October 2021. 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 interests 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. Chiu King Yan**, aged 45, has been an Independent Non-executive Director of the Company since 1 September 2020. Mr. Chiu has over 22 years of experience in audit, accounting, private equity investment and corporate finance, obtained from his work experience in international accounting firms and various listed companies in Hong Kong. Mr. Chiu has been an executive director of Summit Ascent Holdings Limited (a company listed on the Stock Exchange, Stock Code: 102) since 26 April 2019. Mr. Chiu has been the Chief Financial Officer of LET Group Holdings Limited (formerly known as Suncity Group Holdings Limited) (a company listed on the Stock Exchange, Stock Code: 1383) (“LET Group”) since August 2016 and the Company Secretary of LET Group since December 2020. Mr. Chiu was an independent non-executive director of ICO Group Limited (a company listed on the Stock Exchange, Stock Code: 1460) from April 2020 to August 2022, and an executive director of Wanjia Group Holdings Limited (a company listed on the Stock Exchange, Stock Code: 401) from March 2017 to February 2018.

Mr. Chiu holds a Master Degree in Financial Analysis from The Hong Kong University of Science and Technology and a Bachelor Degree in Business Administration in Accountancy from The City University of Hong Kong. He is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

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

Mr. Chiu did not have any interests 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 79, has been an Independent Non-executive Director of the Company since 1 May 2017. Mr. Wang is the Chairman and a director of Salon Films (Hong Kong) Limited. The Wang family founded Salon Films (Hong Kong) Limited in 1969. Mr. Wang has been a director of Salon Films (Hong Kong) Limited since 1969. Mr. Wang has been an independent non-executive director of Everbright Grand China Assets Limited (a company listed on the Stock Exchange, Stock Code: 3699) since 26 August 2022. 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 interests 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

### Company Secretary

**Ms. Mak Po Man Cherie**, aged 48, has been the Company Secretary of the Company since 19 October 2020. Ms. Mak is the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. She has worked for various professional firms and listed companies in Hong Kong, with over 18 years of experience in the fields of audit, accounting, corporate finance, compliance and corporate secretarial. Ms. Mak obtained a Master of Corporate Governance Degree from The Hong Kong Polytechnic University in 2017. She has been admitted as an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom in 2017, a member of the Hong Kong Institute of Certified Public Accountants in 2003 and a fellow member of the Association of Chartered Certified Accountants in 2006.

# 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 2022.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “HKCO”), 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.

## CONSOLIDATED FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2022 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 80 to 138 of this annual report.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years is set out on page 140 of this annual report.

## PROPERTIES

Particulars of the major properties and property interests of the Group are set out on page 139 of this annual report.

## 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

## EQUITY-LINKED AGREEMENTS (Continued)

### Share Option Scheme

The 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 would be valid and effective for a period of 10 years commencing from the date of adoption. The Scheme was expired on 27 June 2022. The terms of the Scheme are in accordance with the provisions of the then 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 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.

Upon the expiry of the Scheme, 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 10-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(s)”) 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, 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 of the Company (the “Shares”) on the exercise of options under the Scheme shall be a price determined by the Board and notified to the relevant Participants 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 Participants and shall be at least the highest of: (i) the closing price of 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 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 Shares.

# Report of the Directors

## EQUITY-LINKED AGREEMENTS (Continued)

### Share Option Scheme (Continued)

The limit on the total number of 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 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 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 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 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 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 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 Participant 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 each Participant and shall not be assignable and no Participants shall in anyway sell, transfer, assign, charge, mortgage, encumber or create any interests 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 Participant's outstanding options in whole or in part.

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

# Report of the Directors

## **EQUITY-LINKED AGREEMENTS (Continued)**

### **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 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.

No share options were granted during the year ended 31 December 2022 and no share options were outstanding as at the date of this annual report. Additional information in relation to the Scheme is set out in note 29 to the consolidated financial statements.

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 2022.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the second amended and restated 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.

## **PROFESSIONAL TAX ADVICE RECOMMENDED**

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **RESERVES**

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

The Company's total distributable reserves as at 31 December 2022 amounted to HK\$349,121,000 (2021: HK\$385,102,000).

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 83% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 33% of the Group's total revenue.

For the year ended 31 December 2022, the aggregate amount of purchases from the Group's five largest suppliers were approximately 65% of the Group's total purchases and the purchases from the Group's largest supplier were approximately 40% of the Group's total purchases.

At no time during the year have the Directors or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had any beneficial interests in these major customers and suppliers.

## 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

Dr. Chan Wing Mui Helen

Mr. Chiu King Yan

Mr. Wang Cheung Yue

In accordance with Article 87 of the Articles of Association, Mr. Cao Jianguo (曹建國先生) and Dr. Jin Xiaozheng (金曉錚博士) will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM"). Each of Mr. Cao Jianguo (曹建國先生) and Dr. Jin Xiaozheng (金曉錚博士) is being eligible offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 15 to 19 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(1) of the Listing Rules since the Company's last published interim report:

- (i) Mr. Cao Jianguo (曹建國先生), an Executive Director and the Chairman of the Board, was appointed as a director and the Chairman of the board of directors of Zhejiang Hailiang (a company listed on the Shenzhen Stock Exchange, Stock Code: 002203) on 27 February 2023.
- (ii) Mr. Feng Luming (馮櫓銘先生), an Executive Director and the Chief Executive Officer of the Company, was appointed as a general manager of Zhejiang Hailiang (a company listed on the Shenzhen Stock Exchange, Stock Code: 002203) on 10 February 2023 and a director of Zhejiang Hailiang on 27 February 2023.

## 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 HKCO) 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 and officer 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 AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals during the year are set out in note 11 to the consolidated financial statements.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the Directors, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholder or any of their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or any of their subsidiaries during the year ended 31 December 2022.

# Report of the Directors

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, 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 Executive Directors of the Company, held directorship and/or interests 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 interests 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 does 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, stock, trade, as well as price of raw metal materials, such as copper and nickel, are generally available in the public, and the trading of copper and nickel is considered as fairly transparent and direct in the market; and
2. Copper and nickel products across the value chain are traded internationally, and their prices vary largely accordingly to the different markets that they are transacted. Therefore, the settling prices are decided between the seller and buyer (including terminal markets like London Metal Exchange through offer and bid process) by their perception of supply and demand at a particular time on a particular day. Market participants normally complete a transaction by taking advantage of the price fluctuations during a short period of time.

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

Save as disclosed above, none of the Directors had any interests 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 during the year ended 31 December 2022.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the entire or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022.

# Report of the Directors

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

As at 31 December 2022, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## **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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS 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 holding companies 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 2022.

# Report of the Directors

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

As at 31 December 2022, 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 Shareholders	Capacity and nature of interests	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生)	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. Approximately 93.13% of the shares in Hailiang Group is owned by Mr. Feng Hailiang (馮海良先生) and his associates (as defined in the Listing Rules) (including Ningbo Zhetao Investment Holdings Limited\* (寧波哲韜投資控股有限公司) ("Ningbo Zhetao"), which owned 38.05% equity interests in Hailiang Group). Accordingly, each of Mr. Feng Hailiang (馮海良先生), Ningbo Zhetao and Hailiang Group is deemed to be interested in 1,207,207,299 Shares under the SFO.

\* literal translation of the Chinese company name

The interests of Mr. Feng Hailiang (馮海良先生), 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 2022, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying Shares as required pursuant to Section 336 of the SFO.

# Report of the Directors

## RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 35 to the consolidated financial statements. All the related party transactions constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules. However, these transactions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## EMPLOYEES AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and prevailing market conditions. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme and discretionary bonus.

The emoluments of the Directors were determined after taking into consideration of their respective responsibilities undertaken, contribution to the Group, profitability of the Group and prevailing market conditions.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2022, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float 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 2022 have been reviewed by the Audit Committee of the Company (the "Audit Committee") before they were duly approved by the Board under the recommendation of the Audit Committee.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA").

A resolution for the re-appointment of ZHONGHUI ANDA as the auditor of the Company is to be proposed at the forthcoming AGM.

There was no change in auditor of the Company during the past three years.

# Report of the Directors

## **CORPORATE GOVERNANCE**

Details of the corporate governance of the Company are set out on pages 32 to 47 under the section headed “Corporate Governance Report” of this annual report.

## **SHARE CAPITAL**

The Company had 1,815,910,767 ordinary shares in issue as at 31 December 2022. Details of the movements in the share capital of the Company for the year ended 31 December 2022 are set out in note 27 to the consolidated financial statements.

## **BONDS ISSUED**

The Company did not have any bonds in issue or existence for the year ended 31 December 2022.

## **BANK LOANS AND OTHER BORROWINGS**

The Group had no bank loans as at 31 December 2022. Particulars of other borrowings of the Group as at 31 December 2022 are set out in notes 23 and 25 to the consolidated financial statements.

## **TAXATION**

The information on the taxation of the Group during the year is set out in note 9 to the consolidated financial statements.

## **TAX RELIEF AND EXEMPTION**

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

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to community and achieving sustainable growth. Details of such is set out in the Environmental, Social and Governance Report on pages 48 to 76 of this annual report.

## **KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The success of the Group relies on the support of important relations such as employees, customers and suppliers. The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

# Report of the Directors

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON INDEPENDENCE

The Company has received the confirmation from each Independent Non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all Independent Non-executive Directors are independent during the year ended 31 December 2022 and up to the date of this annual report.

## ANNUAL GENERAL MEETING

The Company will hold the AGM on Monday, 26 June 2023. A notice convening the AGM will be published and despatched to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 June 2023.

## SUBSEQUENT EVENTS

There were no significant events occurred after 31 December 2022 and up to the date of this annual report.

By Order of the Board

**Cao Jianguo 曹建國**  
*Chairman*

Hong Kong, 24 March 2023

# Corporate Governance Report

The Board is committed to maintaining a high standard 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 Board, the Company has complied with all the applicable 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 2022, except for the following deviation with the reason as explained below:

### Code Provision F.2.2 of Part 2 of the CG Code

Code Provision F.2.2 of Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Cao Jianguo (曹建國先生), the chairman of the Board, was unable to attend the AGM held on 17 June 2022 (“2022 AGM”) due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2022 AGM.

## CULTURES AND VALUES

A healthy corporate culture across the Company is integral to attain its vision and strategy. It is the Board’s role to foster a corporate culture with the following core principles and to ensure that the Company’s vision, values and business strategies are aligned to it.

### 1. Integrity and Code of Conduct

The Company has a strong commitment to ethics and integrity and our Directors instill integrity into every aspect of our businesses. Our Directors, management and staff are all required to act lawfully, ethically and responsibly, which is part and parcel of the Company’s culture as reflected in our core values. In promoting and maintaining the same, the required standards and norms are embedded in various policies such as the Company’s employee handbook (including therein code of conduct), whistleblowing policy, and anti-fraud and anti-corruption policy. Trainings are conducted from time to time to reinforce across-the-board the required standards in respect of ethics and integrity.

### 2. Commitment

The Company believes that the culture of commitment to workforce development, workplace safety and health, diversity and sustainability is one where people have a feeling of commitment and emotional engagement with the Company’s mission. This sets the tone for a strong, productive workforce that attracts, develops and retains the best talent and produces the highest quality work. Moreover, the Company’s strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

# Corporate Governance Report

## 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 as set out in the Model Code during the year ended 31 December 2022.

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 2022.

## 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, directions 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 policies 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 six Directors. Out of the six Directors, three of whom 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 three are Independent Non-executive Directors, namely Dr. Chan Wing Mui Helen, Mr. Chiu King Yan and Mr. Wang Cheung Yue.

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

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

The Company has received from each of the Independent Non-executive Directors a confirmation of his/her independence for the year ended 31 December 2022 pursuant to Rule 3.13 of the Listing Rules, and considered all of them independent.

Mr. Cao Jianguo (曹建國先生) has been a director of Hailiang Group, a company established in the PRC and the holding company of Rich Pro and a controlling shareholder (as defined in the Listing Rules) of the Company, since March 2016 and the Chairman of the board of directors of Hailiang Group since April 2021. He was the Chairman of the board of directors of Hailiang Group from March 2016 to January 2021 and the President of Hailiang Group from January 2021 to November 2021.

### 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 2022, the Company organised one training session for the Directors which was conducted by the external corporate service provider of the Company. In addition, the Directors were provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices.

All Directors (namely Mr. Cao Jianguo (曹建國先生), Mr. Feng Luming (馮櫓銘先生), Dr. Jin Xiaozheng (金曉錚博士), Dr. Chan Wing Mui Helen, Mr. Chiu King Yan and Mr. Wang Cheung Yue) have provided a record of the training they received during the year ended 31 December 2022 to the Company, which included attending professional seminars and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities, pursuant to Code Provision C.1.4 of Part 2 of the CG Code.

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

### Attendance Records of Board Meetings and General Meeting

The Company held four Board meetings and one general meeting during the year ended 31 December 2022. Directors attended these meetings either in person or through electronic means of communication. The attendance of each Director at the Board meetings and general meeting during the year is set out below:

Name of Directors	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
<b>Executive Directors</b>		
Mr. Cao Jianguo (曹建國先生) ( <i>Chairman</i> )	4/4	0/1
Mr. Feng Luming (馮櫓銘先生) ( <i>Chief Executive Officer</i> )	4/4	1/1
Dr. Jin Xiaozheng (金曉錚博士)	4/4	0/1
<b>Independent Non-executive Directors</b>		
Dr. Chan Wing Mui Helen	4/4	1/1
Mr. Chiu King Yan	4/4	1/1
Mr. Wang Cheung Yue	4/4	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year.

### 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.

As at the date of this annual report, the role of the Chairman is served by Mr. Cao Jianguo (曹建國先生), while the role of the Chief Executive Officer is served by Mr. Feng Luming (馮櫓銘先生).

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

### Independent Non-executive Directors

As at the date of this annual report, there are three Independent Non-executive Directors. According to the Articles of Association and the CG Code, every Director, including the Independent 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.

During the year ended 31 December 2022, 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, and appointed Independent Non-executive Directors representing 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 Audit Committee, Nomination Committee, Remuneration Committee and Credit Committee. These committees perform their specific roles in accordance with their respective written terms of reference.

### Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Remuneration Committee comprises three members, namely Dr. Chan Wing Mui Helen, Mr. Chiu King Yan and Mr. Wang Cheung Yue. The Chairman of the Remuneration Committee is Dr. Chan Wing Mui Helen, an Independent Non-executive Director.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, determining the remuneration packages of individual Executive Directors and senior management, making recommendations to the Board on the remuneration of Non-executive Directors, assessing performance of Executive Directors, reviewing and approval for compensation payable to Executive Directors and senior management for any loss or termination of office, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee met once during the year ended 31 December 2022. The attendance of each member is set out below:

Name of Members	Attendance/Number of meetings held
Dr. Chan Wing Mui Helen	1/1
Mr. Chiu King Yan	1/1
Mr. Wang Cheung Yue	1/1

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Remuneration Committee (Continued)

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

- Reviewed the remuneration policy of the Company; and
- Reviewed the remuneration packages of Directors and senior management.

The total remuneration paid/payable to the senior management (including all Executive Directors) for the year ended 31 December 2022 by band is set out below:

<b>Band</b>	<b>Number of senior management</b>
Nil – HK\$1,000,000	6

Further details of the Directors' remuneration and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 11 to the consolidated financial statements.

### Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Nomination Committee comprises four members, namely Mr. Wang Cheung Yue, Mr. Cao Jianguo (曹建國先生), Dr. Chan Wing Mui Helen and Mr. Chiu King Yan. The Chairman of the Nomination Committee is Mr. Wang Cheung Yue, an Independent Non-executive Director.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board, reviewing the policies concerning diversity of Board members and nomination of Directors, identifying individuals suitably qualified to become Board members or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of Independent Non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee met once during the year ended 31 December 2022. The attendance of each member is set out below:

<b>Name of Members</b>	<b>Attendance/Number of meetings held</b>
Mr. Wang Cheung Yue	1/1
Mr. Cao Jianguo (曹建國先生)	1/1
Dr. Chan Wing Mui Helen	1/1
Mr. Chiu King Yan	1/1

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Nomination Committee (Continued)

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

- Reviewed the structure, size and composition of the Board;
- Reviewed the director nomination policy of the Company (the “Director Nomination Policy”);
- Reviewed the implementation and effectiveness of the board diversity policy of the Company (the “Board Diversity Policy”);
- Assessed the independence of Independent Non-executive Directors; and
- Considered the re-election of the retiring Directors at the forthcoming AGM.

### Audit Committee

The Audit Committee was established with written terms of reference in compliance with the CG Code, which are available for view on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Chiu King Yan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue. The Chairman of the Audit Committee is Mr. Chiu King Yan, an Independent Non-executive Director. All members of the Audit Committee are the Independent Non-executive Directors. None of them are a former partner of the Company’s existing external auditor.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal, reviewing the Company’s financial information, and overseeing the Company’s financial reporting system, risk management and internal control systems. 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 Audit Committee met three times during the year ended 31 December 2022. The attendance of each member is set out below:

<b>Name of Members</b>	<b>Attendance/Number of meetings held</b>
Mr. Chiu King Yan	3/3
Dr. Chan Wing Mui Helen	3/3
Mr. Wang Cheung Yue	3/3

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Audit Committee (Continued)

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

- Reviewed and discussed the audited financial statements of the Group for the year ended 31 December 2021 and recommended to the Board for approval;
- Reviewed the corporate governance compliance with the CG Code and the disclosure requirements for the corporate governance report;
- Reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 June 2022 and recommended to the Board for approval;
- 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;
- Reviewed the effectiveness of the risk management and internal control systems of the Group;
- 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;
- Reviewed the effectiveness of the Company's internal audit function;
- Reviewed and discussed the whistleblowing policy of the Company and recommended to the Board for approval; and
- Reviewed and discussed the anti-fraud and anti-corruption policy of the Company and recommended to the Board for approval.

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Credit Committee

The Credit Committee was established with written terms of reference which are available for view on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Credit Committee comprises two members, namely Mr. Feng Luming (馮櫓銘先生) and Dr. Jin Xiaozheng (金曉錚博士). The Chairman of the Credit Committee is Mr. Feng Luming (馮櫓銘先生), an Executive Director.

The Credit Committee is mainly responsible for reviewing the sales and credit information of the Group and overseeing the Group's credit authorisation and credit risk management.

The Credit Committee met once during the year ended 31 December 2022 to review the Group's sales transactions, credit policy and credit control system. The attendance of each member is set out below:

<b>Name of Members</b>	<b>Attendance/Number of meetings held</b>
Mr. Feng Luming (馮櫓銘先生)	1/1
Dr. Jin Xiaozheng (金曉錚博士)	1/1

### MECHANISMS FOR THE BOARD TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

Pursuant to Code Provision B.1.4 of Part 2 of the CG Code, the Company should establish mechanisms to ensure independent views and input are available to the Board. The Board adopted a mechanism for obtaining independent views and opinions (the "Independent Views Mechanism") on 26 August 2022, with the aim of ensuring the strong independence of the Board and improving the working efficiency and the independence of decision-making of the Board. The Board will review the implementation and effectiveness of the Independent Views Mechanism annually. The Independent Views Mechanism specifies that all Directors have the right to obtain sufficient resources provided by the Company to perform their duties, and Directors have the right to make a request to the Company for independent professional advice at the expense of the Company if they believe that the advice is relevant and necessary for performing their duties.

### 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 2022. As at 31 December 2022, 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 Report

## 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 the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to Directors and employees of the Company; and (v) reviewing the Company's compliance with the CG Code and disclosure requirements for the corporate governance report.

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company's 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 2022 is set out in the "Independent Auditor's Report" on pages 77 to 79 of this annual report.

For the year ended 31 December 2022, the remuneration paid or payable to ZHONGHUI ANDA for the provision of audit and non-audit services were HK\$680,000 and HK\$149,000, respectively. Non-audit services included the review of the Company's interim financial statements for the six months ended 30 June 2022 and tax advisory services.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

### 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/her internal control responsibility in the pursuit of objectives

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

### Risk assessment

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

### 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 and 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 2022 as its market capitalisation is relatively small and it is not cost-effective to establish an internal audit function. The Directors will review annually the needs for internal audit function.

# Corporate Governance Report

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

The Company has engaged an external consultant to perform a review on the Group's internal control and risk management systems. With the assistance of the external consultant, 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, relevant mitigating actions and remedial measures have been reported to the Audit Committee and reviewed by the Board. The risk assessment report facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing risk monitoring and related mitigating and remedial internal control measures. The internal control and risk management systems are reviewed by the Board on an ongoing basis in order to make it practical and effective in providing reasonable assurance in relation to the identification of business risks.

The Audit Committee assists the Board in the review, which covers operational, financial, 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. During the year ended 31 December 2022, the Board conducted an annual review on the effectiveness of the internal control system of the Group by, including but not limited to, considering a written report prepared by the external consultant 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 programmes and budget during the year. 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 system effective and adequate. The Company has complied with Code Provision D.2.1 to D.2.5 and D.3.3 of Part 2 of the CG Code relating to risk management and internal control during the year ended 31 December 2022.

## **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 control 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 the Group's employees to ensure proper safeguards exists to prevent the Company from breaching the statutory and the Listing Rules 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 Company and the Stock Exchange, respectively, according to the requirements of the Listing Rules.

# Corporate Governance Report

## COMPANY SECRETARY

Ms. Mak Po Man Cherie has been appointed as the Company Secretary of the Company since 19 October 2020. Ms. Mak is currently the vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. The primary corporate contact person at the Company is Ms. To Hiu Ping, the assistant financial controller of the Company. The biographical details of Ms. Mak are set out under the section headed “Biographical Details of Directors and Senior Management” on page 19 of this annual report. Ms. Mak has taken no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2022.

## SHAREHOLDERS' RIGHTS

### 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 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, 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.

### 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 7 days prior to the date of such general meeting provided that such period shall be at least 7 days.

### Send 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.

# Corporate Governance Report

## INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is essential to enhance investor relations and investors' understanding of the Company's business performance and strategy. The Company also recognises the transparency of its corporate information and the importance of timely disclosure of such information, which enables Shareholders and investors to make the best investment decisions.

The Company has adopted the Shareholders' Communication Policy on 25 March 2022, which sets out the Company's use of a number of mechanisms to provide effective and efficient communication to Shareholders, among which, (i) the share registrar of the Company serves the Shareholders in respect of their shareholding and related matter; (ii) corporate communications such as annual reports, interim reports and circulars are provided in both English and Chinese versions and are available on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hailianghk.com](http://www.hailianghk.com); and (iii) general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management. At the AGM, the Chairman of the Board, the chairman of Board committees, or, in their absence, other members of each committee will also answer questions from Shareholders.

During the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy. The Board believes that the diversified shareholders' communication channels provide Shareholders and investors with effective access to information about the Group, and that Shareholders can contact the Board directly and express their opinions on their own initiative through the procedures of making enquiries to the Board as mentioned in the section headed "Send Enquiries to the Board" under "Shareholders' Rights" in this Corporate Governance Report. The Board, therefore, endorses the effectiveness of the Shareholders' Communication Policy.

## CONSTITUTIONAL DOCUMENTS

In order to (i) conform to the Core Shareholder Protection Standards as set out in Appendix 3 of the Listing Rules which came into force on 1 January 2022; (ii) bring the amended and restated memorandum and articles of association of the Company (the "Memorandum and Articles of Association") in line with the relevant requirements of the applicable laws of the Cayman Islands; (iii) keep up with technological developments and to allow general meetings to be held as an electronic meeting (also referred to as a virtual general meeting); and (iv) make some other housekeeping improvements, the Company adopted a second amended and restated Memorandum and Articles of Association (the "New Memorandum and Articles of Association") during the year ended 31 December 2022. The adoption of New Memorandum and Articles of Association was approved as a special resolution by Shareholders at the 2022 AGM. The New Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange. Details of the amendments to the Memorandum and Articles of Association are set out in the circular of the Company dated 28 April 2022.

# 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. 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. 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.

## DIRECTOR NOMINATION POLICY

The Company adopted the Director Nomination Policy on 1 January 2019. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to (a) skills, experience and professional expertise; (b) diversity; (c) commitment; (d) standing; and (e) independence.

For appointment of new Director, the Nomination Committee as delegated by the Board shall identify and evaluate candidate based on the criteria set out above to determine whether the candidate is qualified for directorship. If the candidate is considered qualified, the Nomination Committee shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.

For re-election of Director at general meeting, the Nomination Committee as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out above. The Board shall then, under advice of the Nomination Committee, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.

For any candidate (other than a retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in general meeting of the Company, the Nomination Committee shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out above. The Board, under advice of the Nomination Committee, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

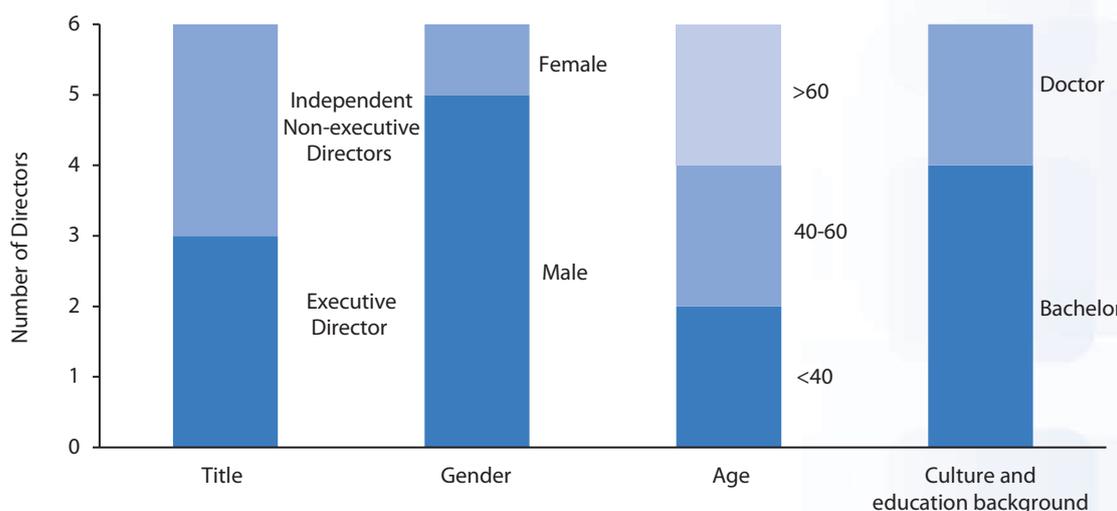
# Corporate Governance Report

## BOARD DIVERSITY POLICY

The Board Diversity Policy sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that the Company should endeavour to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of the Group's business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy. During the year ended 31 December 2022, the Company has solid slate of members of the Board with an appropriate mix of skills, experience, varied cultural and educational backgrounds, and professional qualifications. As at 31 December 2022, the Board comprises six members, one of whom is female director, thus achieving the goal of gender diversity in the Board.

The below chart shows the diversity profile of the Board as at 31 December 2022:



As at 31 December 2022, male employees accounted for 35% and female employees accounted for 65% of all employees (including senior management) of the Group. To achieve gender diversity, we are committed to creating gender-neutral positions in our working environment to become a gender-balanced company. The gender balance scheme includes hiring more men based on the qualifications, experience and skills required for those positions. In addition, we may face the issue of whether the supply of personnel in the human resources market matches the academic qualifications, experience and skills required for positions within the Group. Despite these challenges, we are still moving towards gender balance.

# 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 development and provision of electronic turnkey device solutions, sale of metals, and property development. The Company is pleased to present this Environmental, Social and Governance Report (the “ESG Report”) to its stakeholders, to allow better understanding of its direction, progress and performance on sustainable development for the year ended 31 December 2022.

## SCOPE OF REPORTING

Unless specified otherwise, the ESG Report covers the Group’s business segment on developing and providing electronic turnkey device solutions in Foshan, the People’s Republic of China (the “PRC”), where its principal business operation is located. This business segment operates under the subsidiary named Foshan Lianchuang Hualian Electronics Company Limited (佛山聯創華聯電子有限公司). 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 (the “Stock Exchange”).

To enhance the level of disclosure and strengthen its monitoring of environmental, social and governance (“ESG”) performance, the Group has taken the initiative to develop relevant policies and procedures to collect a wide range of data. The Group will continue to strengthen its data collection process and, when appropriate, expand its reporting boundary.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2022 (“FY2022”).

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange.

# Environmental, Social and Governance Report

## REPORTING FRAMEWORK (Continued)

During the preparation of this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as follows:

- “Materiality” – The materiality assessment was conducted to identify material issues during the reporting period, thereby adopting the confirmed material issues as the focus for the preparation of this ESG Report. The materiality of issues was reviewed and confirmed by the Board. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.
- “Quantitative” – Supplementary notes are added along with quantitative data disclosed in this ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.
- “Balance” – The ESG Report impartially describes the Group’s performance during the reporting period to avoid influencing the decisions or judgements by the reader of the ESG Report improperly.
- “Consistency” – The approach adopted for the preparation of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Information relating to the Group’s corporate governance practices can be found in the Corporate Governance Report on pages 32 to 47 of this annual report.

## THE BOARD’S ESG STATEMENT

To strengthen our sustainable development management, we have established an ESG governance structure, and developed our ESG targets. The board of directors of the Company (the “Board”) is solely accountable for the Group’s ESG governance and sustainable development. The Board is responsible for regularly reviewing the Group’s material issues, performance, and ESG risks and opportunities. The Board is also responsible for ensuring the effectiveness of the Group’s risk management and internal controls. With the Board’s approval, the ESG working group reviews and evaluates the concerns and interests of stakeholders through a materiality analysis to determine the Group’s approach, strategy and goals for ESG management. The ESG working group is also responsible for collecting and analysing ESG data, identifying the Group’s ESG issues, reviewing the progress of goals and targets, and reporting of findings to the Board.

The ESG Report has been approved by the Board on 24 March 2023.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

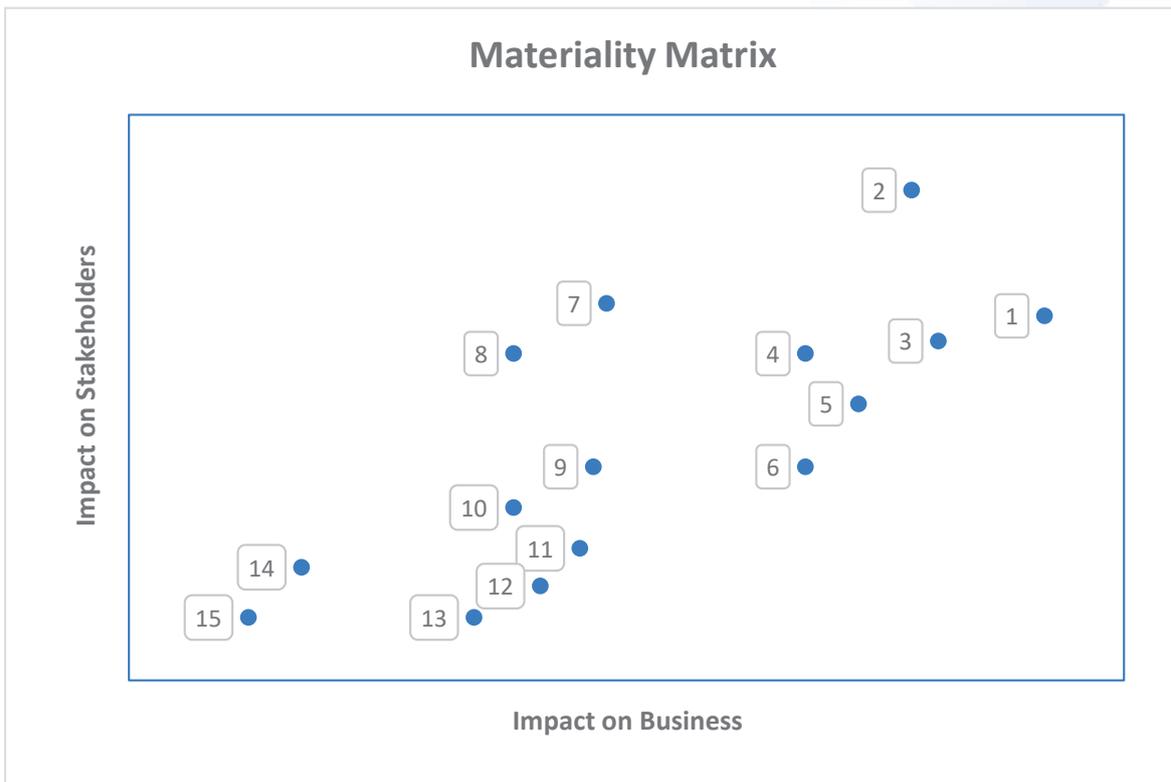
The Group acknowledges that the success of the business depends on support from its key stakeholders. The Group maintains an open conversation with its stakeholders via various communication channels. This enables the Group to gain a better understanding of their needs, concerns and expectations regarding its business operations and ESG performance, as well as obtaining their perspectives and opinions on the Group's operational direction, allowing the Group to formulate business and ESG strategies accordingly and appropriately. The Group maintains close communications with its stakeholders, including but not limited to the shareholders/investors, employees, suppliers, customers, governments, media and the public. The Group communicates with the stakeholders through various channels as below:

Stakeholders	Engagement Channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> <li>Annual general meetings and other general meetings</li> <li>Annual reports and interim reports</li> <li>Circulars and announcements</li> <li>Company website</li> </ul>	<ul style="list-style-type: none"> <li>Business performance</li> <li>Corporate governance</li> <li>Integrity and compliance</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Training sessions</li> <li>Performance appraisals</li> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Career development</li> <li>Employee compensation and benefits</li> <li>Occupational health and safety</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Qualification reviews</li> <li>Site visits</li> </ul>	<ul style="list-style-type: none"> <li>Fair and open competition</li> <li>Responsible supply chain management</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>Product or service quality control</li> <li>Customer service</li> <li>Customer benefits</li> </ul>
Government authorities	<ul style="list-style-type: none"> <li>Email and circulars</li> <li>Tax payment in full and on time</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Occupational health and safety</li> <li>Environmental protection</li> </ul>
Media and the public	<ul style="list-style-type: none"> <li>ESG Report</li> </ul>	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Community involvement</li> <li>Open and transparent information</li> </ul>

# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

During FY2022, the Group conducted a survey with its internal and external stakeholders for the identification of material ESG issues. The material topics were identified and prioritised based on the analysis and summary of the materiality assessment results from stakeholders. The results are illustrated below:



### Key Concerns

1. Product quality and safety
2. Anti-corruption
3. Hazardous waste treatment
4. Occupational health and safety
5. Customer satisfaction
6. Protection of intellectual property rights
7. Employees' rights and welfare
8. Employees' training and development
9. Packaging materials and other waste management
10. Supply chain management
11. Energy consumption
12. Water consumption
13. Equal opportunities, diversity and anti-discrimination
14. Greenhouse gas emissions
15. Community investment

# Environmental, Social and Governance Report

## OPINION AND FEEDBACK

Your feedback on the ESG Report is welcomed for the ongoing improvement of the Group's ESG performance. Should you have any enquiries or suggestions, please feel free to contact us by emailing: [info@hailiang.com](mailto:info@hailiang.com).

## A. ENVIRONMENTAL

### A1. Emissions

The Group understands the importance of environmental sustainability and is committed to minimising pollution and conserving resources in its daily operations whenever possible. The Group has actively implemented environmental policies and procured energy-efficient machinery to reduce energy consumption and greenhouse gas ("GHG") emissions. The Group is certified by the ISO 9001 and ISO 14001 quality management system during FY2022.

The Group scrupulously adheres to all related laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中國水污染防治法》), and the Prevention and Control of Environmental Pollution Caused by Solid Waste Law of the People's Republic of China (《中國固體廢棄物污染環境防治法》).

During FY2022, the Group was not aware of any material non-compliance with relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### Air Pollutants

The Group's major source of air pollutants comes from fuel consumption by vehicles and energy consumed during industrial production. The Group has installed an exhaust ventilation system in the production area to reduce the environmental impacts and protect the health of employees. In addition, the Group has engaged an independent company to conduct an annual review of industrial air emission levels, the results of which indicate that the Group's emission levels have complied with the emission levels stipulated 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》).

For vehicle emissions, the Group has implemented several vehicle emission reduction initiatives, which will be discussed in further details in the section headed "GHG emissions".

During FY2022, the air pollutants emissions of the Group is as follows:

Type of Air Pollutants	Unit	2022	2021	2020
Nitrogen oxides (NOx)	kg	116.77	127.17	38.00
Sulphur oxides (SOx)	kg	0.15	0.10	0.10
Particulate matter (PM)	kg	5.46	5.88	3.64

Note: The Group refers to "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" from the Stock Exchange to calculate the air pollutant emissions.

#### GHG emissions

GHG emissions are widely regarded as a significant contribution to climate change and global warming. Major GHG emissions of the Group come from the direct emissions from the combustion of petrol and diesel of company-owned vehicles, as well as indirect emissions from purchased electricity. The Group places high importance on energy efficiency and reduction of fuel consumption to minimise its GHG emissions.

The Group has implemented the following measures to reduce GHG emissions generated by vehicles:

- Purchase of Euro V or higher-grade vehicles to replace previous vehicles;
- Pre-route planning to reduce route duplication and optimise fuel consumption;
- Turn off the engine when the vehicle is idle; and
- Regular vehicle maintenance services to ensure optimal engine performance and fuel usage.

The Group has also implemented energy-saving initiatives, which will be discussed further details in the section headed "Use of Resources".

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### GHG emissions (Continued)

According to the Company's Sustainability Policy (the "Sustainability Policy"), the Group will actively implement the petrol and electricity conservation measures and use the year 2019 as the base year as a comparative indicator to maintain or gradually reduce GHG emissions. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment more effectively and cherish natural resources.

The reduction of direct GHG emissions was attributable to a substantial reduction in the use of HCFC, a common type of refrigerants used in air-conditioning systems. This is mainly the result of continuous efforts by the Company to reduce the use of chemicals that are known to contribute to ozone depletion and climate change.

There was an increase in the Group's indirect GHG emissions during the year due to increased electricity consumption at its operational sites. The Group will actively pursue environmental initiatives to help reduce GHG emissions.

During FY2022, the GHG emissions of the Group are presented as follows:

Types of GHG Emissions	Unit	2022	2021	2020
Direct GHG emissions (Scope 1) • Petrol, diesel, Liquefied petroleum gas (LPG)	tCO <sub>2</sub> e	95.89	163.60	18.03
Indirect GHG emissions (Scope 2) • Purchased electricity	tCO <sub>2</sub> e	910.88	690.98	534.41
Total GHG emissions	tCO <sub>2</sub> e	1,006.77	854.58	552.44
GHG emission intensity	tCO <sub>2</sub> e per million revenue	11.94	8.62	7.40

Note:

1. 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, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the Global Warming Potential Values from the IPCC Fifth Assessment Report, 2014 (AR5), and the Sustainability Report 2021 issued by Hong Kong Electric.
2. tCO<sub>2</sub>e is defined as tonnes of carbon dioxide equivalent.
3. During FY2022, the Group recorded segment revenue of HK\$84,314,000 (2021: HK\$99,103,000; 2020: HK\$74,664,000), which is also used to calculate other intensity data.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### *Sewage Discharge*

As the Group's principal business activities do not consume a large amount of water, it has not generated a large amount of effluent discharge. The Group is committed to regulate sewage discharge by implementing measures to monitor sewage pollutant levels. The Group ensures that all sewage is properly discharged to the regional water purification plants through the municipal sewerage system. In addition, the Group has engaged an independent company to conduct an annual review of its industrial sewage emission levels, the results of which indicate that the Group's emission levels have complied with the emission levels stipulated in the Discharge Limits of Water Pollutants of Guangdong Province (《廣東省地方標準水污染物排放限值》).

#### *Hazardous and Non-hazardous Wastes*

The Group recognises the importance to handle waste properly in order to minimise the impacts of its operations on the environment. The Group strives to reduce the amount of waste generated from its operational sites and office locations and strengthen the environmental awareness of its employees. The Group has implemented the Waste Handling Procedures《廢棄物處理程序》to govern the Group's management of hazardous and non-hazardous waste. The policy identifies responsible personnel and details of their duties. It also explicitly outlines the methods for garbage collection, storage, and disposal.

#### *Non-hazardous Waste*

The non-hazardous waste generated by the Group includes paper, damaged tools and packaging materials. Most of the wastes are temporarily stored in a specified location and then recycled by licensed contractors. Meanwhile, the Group is committed to reducing waste generated from operations through the following waste reduction initiatives:

- Conduct a thorough analysis of office materials consumption to avoid overstocking;
- Encourage double-sided printing and electronic communication;
- Reuse cardboard boxes for packaging and delivery; and
- Place recycle bins throughout the operational sites to collect recyclable materials, such as paper and plastic, then consign recycling companies to collect these recyclables.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### *Hazardous and Non-hazardous Wastes (Continued)*

##### *Non-hazardous Waste (Continued)*

As a result of the Group's waste reduction initiatives, the Group has noted a reduction in the generation of non-hazardous waste during FY2022. A summary of non-hazardous wastes discharge is presented below:

Category of Waste	Unit	2022	2021	2020
Total non-hazardous waste	tonnes	1.080	1.500	0.212
Intensity	tonnes per million revenue	0.013	0.015	0.003

##### *Hazardous Waste*

The hazardous waste generated by the Group's production and operation is mainly the soldering water used to remove oxides from electronic controller parts. The Group has implemented Hazardous Material Management Procedures (《有害物質管理程序》) to regulate the procurement, production quality control and handling of hazardous substances. The Group strictly follows the National Directory of Hazardous Wastes (《國家危險廢物名錄》) and other relevant regulations, and all hazardous waste is handled by qualified third-parties for proper recycling and treatment.

The Group's treatment of hazardous waste is similar to that of non-hazardous waste. Most of the hazardous wastes are temporarily stored in a specified location, and then recycled by licensed contractors. Wastes containing volatile organic compounds will be stored in protected ventilated warehouses, to minimise the emission of toxic fumes that may jeopardize the health of employees. These warehouses are secured and accessible only to authorised employees. Hazardous waste will be stored in specific places and appropriately labelled to avoid confusion or contamination. Numerous huge danger warning placards are put around the warehouses to alert employees to the potential hazardous threat.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### *Hazardous and Non-hazardous Wastes (Continued)*

#### *Hazardous Waste (Continued)*

A summary of hazardous wastes discharge is presented below:

Category of Waste	Unit	2022	2021	2020
Total hazardous waste	tonnes	0.145	0.100	–
Intensity	tonnes per million revenue	0.002	0.001	–

According to the Group's Sustainability Policy, the Group will actively implement waste reduction measures and use the year 2019 as the base year to compare its effort on the reduction of waste. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment and preserve natural resources.

### A2. Use of Resources

The Group makes an ongoing effort to monitor the use of resources in a responsible and effective manner in order to promote sustainable development. The Group promotes resource saving by implementing Environmental Operation Control Procedures (《環境運行控制程序》) and Resource and Energy Control Procedures (《資源能源控制程序》) to regulate energy and water resources management, and encourage its employees to participate in resource conservation activities. All employees are formally notified of the implementation of the guidelines during orientation and when the guidelines are updated.

#### *Energy Consumption*

The Group has implemented energy-saving policies to monitor and maximise energy efficiency. Meters are installed on large electronic equipment and are checked weekly to monitor energy usage and detect any abnormal usage. When abnormally high readings are noted, the Group will immediately identify the cause and make the necessary adjustments to its energy policies.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources (Continued)

#### *Energy Consumption (Continued)*

In addition, the Group has adopted certain measures in the office and operational sites for energy saving, including but not limited to:

- Turn on the air conditioner only when the indoor temperature exceeds 28 degrees Celsius, and maintain the temperature of air conditioning at an energy-efficient level of 26 degrees Celsius or above;
- Open windows to maximise air circulation and ventilation;
- Encourage employees to turn off office appliances and electronic devices that are not in use;
- Purchase energy-efficient office equipment, electrical appliances and machinery;
- Use natural light as much as a possible; and
- Report faulty appliances promptly to ensure maximum energy efficiency and avoid further damage.

During FY2022, the Group noted a reduction in the use of petrol due to fewer trips being made on company-owned vehicles. Meetings, when required, were conducted via online platforms, resulting in less travelling required by the management and the sales team.

The consumption of diesel, on the other hand, increased during the year due to more frequent deliveries to customers to meet the specific requirements of customers. The Group will continue to review and consolidate delivery schedules so as to lower its diesel consumption.

The Group's consumption of liquefied petroleum gas ("LPG") reduced by a significant amount during FY2022. This was attributable to the Group's rigorous effort in minimising wastage in the staff canteen. Preparation of meals took into account of actual consumption and the number of headcount, resulting in less cooking and LPG consumption.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources (Continued)

#### Energy Consumption (Continued)

A summary of the Group's energy consumption performance is presented below:

Types of Energy Consumption	Unit	2022	2021	2020
Direct energy consumption:				
• Petrol	kWh	27,363.74	82,451.05	65,717.10
• Diesel	kWh	69,747.74	47,615.91	–
• Liquefied petroleum gas (LPG)	kWh	8,717.15	22,196.87	–
Indirect energy consumption:				
• Purchased electricity	kWh	1,133,322.00	1,132,564.68	1,050,232.00
Total energy consumption	kWh	1,239,150.63	1,284,828.51	1,115,949.10
Energy consumption intensity	kWh per million revenue	14,696.85	12,964.58	14,946.28

According to the Sustainability Policy, the Group will actively implement the electricity conservation measures and use the year 2019 as the base year to compare its performance on reduction of electricity consumption. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment and preserve natural resources.

#### Water Consumption

The Group strives to consume water wisely and responsibly. The Group's major water use is for daily cleaning and industrial use. The Group aims to cultivate a water-saving habits among all levels of its staff to achieve sustainable development. The Group has adopted certain measures in office and working sites for water-saving, including but not limited to:

- Attach water-saving signs at pantries and washrooms as reminders to employees;
- Install sensors on water taps to reduce water consumption; and
- Use a water circulation system to reuse wastewater for cleaning purposes.

The Group noted increased water consumption during early FY2022, and discovered it was due to a leakage in worn-out pipes. The issue was promptly fixed, however, it resulted in higher usage of water during the year. The Group will carry out regular inspections to avoid similar incidents.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources (Continued)

#### Water Consumption (Continued)

A summary of the Group's water consumption performance is presented below:

Index	Unit	2022	2021	2020
Total water consumption	m <sup>3</sup>	15,932.00	12,741.00	10,071.00
Intensity	m <sup>3</sup> per million revenue	188.96	128.56	134.88

According to the Sustainability Policy, the Group will actively implement the water conservation measures and use the year 2019 as the base year to compare its performance on reduction of water consumption. Going forward, the Group will set more specific and quantifiable environmental targets to protect the environment and preserve natural resources.

#### Use of Packaging Materials

To ensure the products are properly protected during transportation, the Group uses carton boxes to package finished products. The Group has implemented the Package Recycling Management Regulation (《包材回收管理規定》) to regulate the recycling process, the appointment of recyclers, and incentive measures. The Group uses brown carton boxes to store precision electronic boards in its factory after completion. The use of such packaging materials is consistent with the industry norm. To maximise the use of packaging materials, the Group's employees encourage drivers to handle carton boxes carefully during transportation, allowing the carton boxes to be reused, thereby extending their service life.

During FY2022, the Group consumed 7,493 carton boxes, a significant reduction when compared to a total consumption of 186,477 carton boxes in the previous year. The reason was attributable to the Group's effort in collecting carton boxes from customers for reuse, and another major customer started using reusable boxes for their purchases.

The Group strives to improve its sustainability practices and is committed to not using excessive packaging. Production departments must plan the use of packaging materials in a way that maximises economic and environmental efficiency, while effectively reducing production and packaging material costs.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A3. The Environment and Natural Resources

The Group aspires to improve environmental sustainability and minimise its impact on the environment and natural resources through the aforementioned initiatives to reduce emissions, waste generation, and resource consumption.

#### *Encouragement of Green Practices*

The Group aims to promote environmental protection in its production process. The Group understands that raising employee awareness of environmental protection and reinforcing responsible behaviour are fundamental to the development of an environment-conscious corporate culture. Therefore, posters on energy-saving tips and reminders are put up around the operational sites to remind employees of green practices in their daily life.

#### *Noise*

The Group is aware that due to the nature of its business, its operations may cause noise pollution in the surroundings. The Group makes a concerted effort to alleviate the degree of noise pollution caused by production, processing, and waste disassembly. The Group is committed to full compliance with all applicable local laws and regulations at its operating locations, and makes an effort to ensure its neighbours' quality of life is not seriously disturbed.

The Group monitors and measures noise regularly. According to the Environmental Operation Control Procedures (《環境運行控制程序》), the Group has engaged an independent company to conduct an annual review of industrial noise level, if the noise level exceeds local permissible levels, an inquiry and corrective action are immediately launched. The result of which indicates that the Group's noise level at one meter from the factory has complied with the local emission level.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A4. Climate Change

The Group recognises that climate change has become a growing global problem. Climate change is an undeniably significant and impending issue that poses several unforeseen hazards and catastrophic consequences for businesses.

The Group has considered the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The Group is well aware of the physical and transition risks posed by climate change and has created strategies to mitigate and adapt to the impacts of climate change on its business, thereby further enhancing its resilience to the effects of climate change. Extreme weather conditions such as flooding and heavy rainfall can present severe physical risks. In addition, changes in environmental regulations or customer bias can present severe transition risks.

The Group has implemented the Risk Control Management Procedures (《風險控制管理程序》) to identify, analyse and control risks in all business operating procedures. The Group will promptly prepare a reaction strategy, which may include altering its business strategy and development strategy, to mitigate the detrimental effects of such climate-related risks. The Group will continue to monitor climate change-related risks policies and implement measures to minimise the potential impacts of climate change.

#### *Physical Risks*

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat bring acute and chronic physical risks to the Group's business. The Group's productivity will be reduced under extreme weather events as the safety of the Group's employees is threatened and the power grid or communication infrastructures may be damaged, which exposes the Group to risks associated with non-performance and delayed performance, leading to a direct negative impact on the Group's operations and financial performance.

To minimise the potential risks and hazards, the Group has established mitigation plans, including flexible working arrangements and precautionary measures during bad or extreme weather conditions. The Group will explore an emergency plan to further reduce the vulnerability of its installations to extreme weather events in order to enhance business stability.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A4. Climate Change (Continued)

#### *Transition Risks*

To achieve the global vision of carbon neutrality, the Group expects an evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies, the emergence of environmental-related taxes, and the shifting of customer preference to eco-friendly operations.

The Group continues to monitor any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance penalties or reputational risks due to delayed response.

## B. SOCIAL

### B1. Employment

Employees are the Group's valuable assets. The Group recognises that its continued success is dependent on employees' talents and dedication. Employment policies are formally documented in the Group Employee Handbook (《員工手冊》). It stipulates the guidelines and expectations of employee behaviour. The handbook provides the parameters of recruitment, dismissal, promotion, working hours, rest periods, appraisal, training and benefits to protect employee rights, thereby supporting a pleasant and equitable work environment for all.

The Group scrupulously adheres to all relevant laws and regulations, including the Labour Law of the People's Republic of China (《中國勞動法》), the Labour Contract Law of the People's Republic of China (《中國勞動合同法》) and the Regulation on Work-Related Injury Insurance of the People's Republic of China (《中國工傷保險條例》).

During FY2022, the Group was not aware of any material non-compliance with all applicable laws and regulations that would have a material impact with respect to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1. Employment (Continued)

#### *Recruitment and Talent Retention*

The Group recruits via different recruitment channels, such as job advertisements, employment agencies and advertising media. It evaluates the competency possessed by candidates based on the principles of openness, fairness and impartiality. The Group enters into labour contracts with employees in accordance with applicable laws and regulations, which clearly define contractual rights and obligations, as well as the conditions and procedures for employment.

The Group has established a position structure, including title, classification, job description and requirements to ensure that employees have a clear promotion path. It assesses the performance of the employees on an annual basis, the results of which are used for their annual salary review and performance appraisal. As a token of appreciation to the Group's employees and to improve employment prospects, the Group gives priority to internal promotions rather than external recruitment. This reduces the administrative time and costs of recruitment, and improves employee retention.

#### *Dismissal*

The Group terminates labour contracts with employees in accordance with applicable laws and regulations. Unreasonable dismissal under any circumstances is prohibited. Dismissals, when required, are based on reasonable and lawful grounds supported by policies. Verbal or written warnings will be issued to provide a fair opportunity to employees for improvement. The Group only considers dismissal when unsatisfactory work behaviour persisted, and upon the receipt of dismissal approval from the relevant department head.

#### *Employee Rights, Compensation and Benefit*

The Group respects and understands the rights and needs of its employees, therefore robust policies are in place to determine the working hours and rest periods for employees while following local employment laws.

The Group offers fair compensation packages for its employees based on employees' personal capabilities and benchmarks. The employee's compensation package includes base pay, overtime and year-end double pay based on individual performance and the corporate's annual results. Furthermore, the Group complies with the Labour Law of the People's Republic of China, which covers employees who sustain personal injury by accident or disease arising out of the course of employment. The Group also offers benefits such as medical insurance, retirement protection, festival gifts, health check and lunch and staff uniform allowance.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1. Employment (Continued)

#### *Working Hours and Holidays*

The Group strictly enforces the permitted working hours in accordance with the legal requirements. It ensures that all employees' overtime work is voluntary. Furthermore, the Group provides paid annual leave, paid public holiday, sick leave, maternity leave, paternity leave, marriage leave, compassionate leave, and study leave.

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

Sustainable growth of the Group relies on the diversity of talents, regardless of gender, age or origin. The Group devotes to creating an environment of equal opportunity and an inclusive and collaborative culture, and it 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.

#### *Employee Profile*

As of 31 December 2022, the Group had 214 employees. The breakdown of employee profiles by different categories are shown in the chart below:

Categories	2022	2021
<b>By Gender</b>		
Female	140	137
Male	74	86
<b>By Employment Type</b>		
Junior employee	193	194
Middle management	14	20
Top management	7	9
<b>By Age Group</b>		
Below 30	158	119
30-50	46	96
Above 50	10	8
<b>By Geographical Region</b>		
China (including Hong Kong)	211	220
Australia	3	3

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1. Employment (Continued)

#### Employee Profile (Continued)

During FY2022, the overall employee turnover rate of the Group is 13.11%, whereas the employee turnover by different categories is illustrated as follows:

Categories	2022 (%)	2021 (%)
<b>By Gender</b>		
Female	9.52	5.12
Male	15.00	7.09
<b>By Age Group</b>		
Below 30	–	8.27
30-50	15.38	3.94
Above 50	13.33	–
<b>By Geographical Region</b>		
China (including Hong Kong)	10.71	11.81
Australia	40.00	–

Note:

The turnover rates are calculated by dividing the total number of permanent employees who left the Group during FY2022 by the average number of permanent employees.

### B2. Health and Safety

The Group pays attention to employee health and safety issues. It follows all related legislations such as the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Labour Law of the People's Republic of China (《中國勞動法》) and the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》). In addition, the Group has established Safety Incident Investigation Report (《安全事故調查處理報告》), which procedures for handling and reporting incidents, then study the events to prevent a recurrence.

During FY2022, the Group has not violated any laws or regulations relating to health and safety and lost days due to work injury. The Group had no employees involved in work-related fatalities in the past three years. The Group will continue to strengthen its employee health and safety management system in the future to reduce workplace injuries.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B2. Health and Safety (Continued)

#### *Occupational Health and Safety*

The Group is committed to providing and maintaining a safe and healthy working environment to protect employees from work-related injuries. Due to its business nature, the industrial industry has a close association with flammable and corrosive substances. The Group places a premium on safety awareness and the proper operation of fire protection tools. The Group has developed relevant fire protection systems and conducted regular safety checks in accordance with the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建築項目消防監督及管理條文》) to ensure employees are familiar with the safety awareness and operation of fire protection tools before working on sites. Employees must wear personal protective equipment to ensure their safety while working on construction sites.

In response to the COVID-19 pandemic, the Group has implemented a variety of safeguards at the operational level throughout its business segments, including providing staff with epidemic prevention supplies, such as surgical masks and hand sanitisers, increasing the frequency of workplace cleaning services and strict temperature checks on personnel before entering the premises. The Group will remain vigilant of the developments of COVID-19 as well as other possible epidemics that may pose a threat to the health of our employees.

#### *Safety Training*

Safety training is critical for increasing employees' awareness of safety hazards and mitigating the risk of work-related injuries. The Group gives training to employees who are using protective equipment for the first time to guarantee that the equipment is used and maintained appropriately to ensure employee safety. Additionally, all personnel must attend intensive toolbox safety seminars and training regularly to ensure compliance with the most current industrial health and safety requirements.

The Group emphasises the importance of safe operation to its staff by placing safety warning signs and banners across the workplace, establishing a safety information column, and disseminating safety leaflets. Each department head will regularly inspect and monitor their particular work areas to verify that no health dangers exist.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B3. Development and Training

The Group believes that its employees' knowledge, skills and capacities are critical to the Group's continued growth and success. According to the Training Management Procedures (《培訓管理程序》), the Group provides internal and external training to enhance employees' requisite knowledge and skills in discharging their duties.

The Group provides orientation training to new employees, including an overview of the corporate's structure and policies, employee compensation and benefits, and job descriptions, to enable seamless integration. In addition, business knowledge or skills training and quality and environmental management system training are provided to employees based on the needs of respective departments. Additionally, the Group provides training incentives to encourage staff to engage in external training courses to equip their practical skills and technical knowledge for performing their duties effectively.

During FY2022, the percentages of employees trained and the average training hours according to their gender and employment category are listed below:

Categories	2022		2021	
	Percentage of Employee Trained (%)	Average Training Hours per Employee (hours)	Percentage of Employee Trained (%)	Average Training Hours per Employee (hours)
<b>By Gender</b>				
Female	70.04	23.49	62.33	4.00
Male	29.96	22.21	37.67	4.00
<b>By Employment Type</b>				
Junior employee	96.50	23.91	94.62	3.57
Middle management	1.17	1.00	4.48	8.00
Top management	2.33	1.00	0.90	10.00

Note:

The Group refers to "How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPIs" from the Stock Exchange to calculate the percentage of employees trained.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B4. Labour Standards

The Group strictly prohibits the use of any child labour and forced labour or any forms of illegal labour in its operations. The Group scrupulously adheres to all related laws and regulations, including the Labour Law of the People's Republic of China (《中國勞動法》), the Labour Contract Law of the People's Republic of China (《中國勞動合同法》) and the China Employment Promotion Law (《中國就業促進法》). According to the Human Resource Management Procedures (《人力資源管理程序》), applicants are expected to provide their identification credentials to the Human Resources Department during the recruitment process to ensure their age is correct in the prevention of utilising child labour. Additionally, the Group grants overtime compensation and other ancillary perks in accordance with pertinent statutes and regulations.

In any event, if the Group finds any violation of labour standards, it will immediately take remedy and/or compensation measures in accordance with relevant laws and regulations.

During FY2022, 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.

### B5: Supply Chain Management

The Group highly values strategic collaboration with its suppliers to foster mutually beneficial commercial development. To ensure a fair, consistent and transparent purchasing process, the Group has established Purchasing and Supplier Control Procedures (《採購和供方控制程序》) to maintain a standard procurement and tendering procedures.

In selecting suppliers, the Group conducts background checks on individuals based on various criteria, including their market price, qualifications, capability, service quality, and previous business and compliance track records to verify their competency in providing dependable products and services. Apart from providing high-quality products and services, the Group also gives priority to working with suppliers who abide by the laws on the social aspects. For environmental responsibility, the Group attempts to encourage green procurement, advocate to use more environmental-friendly products and consider cooperating with suppliers that are more environmental and socially responsible.

In addition, the Group has conducted the supplier evaluation on an annual basis. If the quality control pass rate falls by more than 3% below the mutually agreed acceptance quality limit, contracts with such suppliers will be terminated.

During FY2022, the Group engaged with a total of 209 suppliers in its operations, spreading across China (207 suppliers), Hong Kong (1 supplier), and Japan (1 supplier).

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### **B6: Product Responsibility**

The Group places an emphasis on product quality and offers safe services to its consumers. The Group will continue to provide efficient and high-quality services to maintain client satisfaction. The Group is in strict compliance with the relevant laws and regulations, including but not limited to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》).

There were no cases of product recall nor complaints received against the Group's products and services during the Reporting Period due to health and safety issues.

### ***Quality Management and Safety Issues***

The Group views service quality as a critical differentiator. It is committed to provide its customers with consistently high-quality services.

The Group has established Market Development and Sales Management Procedures (《市場開拓與銷售管理程序》) to monitor and ensure the quality and safety of its products. Each operation is meticulously monitored and reviewed to ensure that the quality of products matches its customers' needs. The Group will monitor and continually improve its quality management system to provide customers with high-quality and safe products and services.

In addition, the Group has established Non-conforming Product Management Procedures (《不合格品質管理程序》) to make good management of after-sales services and/or return guarantees to satisfy its customer needs. Once any complaint is received, it will be dealt with by specific departments and the processing results will be communicated to the customers in a timely manner.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### **B6: Product Responsibility (Continued)**

#### ***Customer Satisfaction***

Placing a top priority on customer satisfaction, the Group makes every effort to provide excellent customer service.

The Group has established quality control procedures to ensure that customers' requirements are met. The Group has been communicating with customers to ascertain their demands and requirements. The Sales Department conducts an annual customer satisfaction survey. Its objective is to get customers to feedback on product quality, service, pricing and delivery. Customer satisfaction targets are developed and amended annually to pursue continual improvement.

Concerned with customers feedback, the Group has policy on complaint handling procedures that are documented in the Information Management Procedures (《信息管理程序》). Appropriate employees are assigned to investigate and resolve individual concerns in a timely manner. Where appropriate, corrective steps must be implemented.

#### ***Intellectual Property Rights Protection***

As the Group is engaged in the research and development of printed circuit boards, intellectual property is a very important business resource that can provide strong support for the Group's competitiveness and stability.

The Group has established Design Development Control Program (《設計開發控制程序》) for all departments and employees to follow in order to ensure compliance with the registration and ongoing protection of intellectual property rights and trademarks. The Group ensures transparency in the decision-making process through well-defined registration procedures such as pre-registration preparation, internal application inspection, and trademark renewal. Upon employment, all employees are obliged to sign a confidentiality agreement before participating in any part of the production chain to avoid unwanted disclosure. Unaffiliated personnel are not permitted to view any data relating to the research outcome.

#### ***Customer Data Protection and Privacy***

With growing concern about information privacy, the Group demands all employees to exercise due diligence in maintaining strict confidentiality of all corporate and customer information, for example, trade secrets, business projections, and pricing. The data protection officers are responsible for the protection and maintenance of the Group's data assets. To avoid unintended disclosure of company information, all employees must show vigilance when handling such information. Any employee who violates the regulations faces disciplinary action and legal consequences.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B7. Anti-corruption

Integrity is one of the Group's core values. With a strong commitment to integrity, the Group bans all forms of corruption, money laundering, bribery, fraud and other unethical behaviour. The Group is in strict compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering, including but not limited to the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and the Criminal Law of the People's Republic of China (《中華人民共和國刑法》). In addition, the Employees Handbook (《員工手冊》) includes a section of the Code of Conduct. It states that employees are prohibited from requesting, receiving or accepting any type of benefit from the Group's customers or business partners. The employee who breaches the rules is subject to disciplinary action, including employment termination.

The Group has a whistleblowing policy to encourage employees and other stakeholders to report any possible or suspected irregularities, misbehaviour, or corruption activities in good faith. The Group maintains the whistle-blower's identity and any pertinent reported facts in strict confidence to avoid any ill-treatment or retaliation.

In FY2022, the Group held a training course towards anti-corruption topics for its Directors, senior management and the relevant staff to enhance their understanding of general concepts of ethics, regulations on anti-corruption and anti-bribery management, penalties, measures for violation of ethical requirements and supervision on anti-corruption and anti-bribery.

During FY2022, the Group was unaware of any non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

### B8: Community Investment

The Group is committed to ongoing community involvement as a socially responsible business. The Group has developed guidelines on social investment and set out in the Employees Handbook (《員工手冊》) to foster a corporate culture and encourage employees to participate in various volunteer and public welfare. The Group focuses on the living standard of the community, culture, education, development and labour cooperation. The Group intends to continue engaging the community in the future.

During FY2022, the Group made a sponsorship of HK\$5,760 to a Child Sponsorship Program organised by Plan International, which aims to support children and their families in education, early childhood development, protection from violence, sexual and reproductive health and rights, skills and decent work and young people driving change. In addition, it aims to improve their quality of life as a while, so that they can move out of poverty and attain self-reliance.

The Group also made a donation of mooncakes to the elderly members of the Banyan Services Association in Hong Kong, as an effort to show its care to the elderly in the community.

# Environmental, Social and Governance Report

## APPENDIX: CONTENT INDEX OF THE GUIDE

Indicators	Description	Section	
<b>A. Environmental</b>			
<b>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.	A1. Emissions
	A1.1	The types of emissions and respective emissions data.	A1. Emissions
	A1.2	GHG emissions in total (in tonnes) and intensity.	A1. Emissions
	A1.3	Total hazardous waste produced (in tonnes) and intensity.	A1. Emissions
	A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	A1. Emissions
	A1.5	Description of reduction initiatives and results achieved.	A1. Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A1. Emissions
<b>A2. Use of Resources</b>	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	A2. Use of Resources
	A2.2	Water consumption in total and intensity.	A2. Use of Resources
	A2.3	Description of energy use efficiency initiatives and results achieved.	A2. Use of Resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A2. Use of Resources
	A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	A2. Use of Resources
<b>A3. The Environment and Natural Resources</b>	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A. Environmental
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A. Environmental

# Environmental, Social and Governance Report

Indicators	Description	Section	
<b>A4. Climate Change</b>	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4. Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4. Climate Change
<b>B. Social</b>			
<b>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.	B1. Employment
	B1.1	Total workforce by gender, employment type, age group and geographical region.	B1. Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	B1. Employment
<b>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.	B2. Health and Safety
	B2.1	Number and rate of work-related fatalities.	B2. Health and Safety
	B2.2	Lost days due to work injury.	B2. Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	B2. Health and Safety
<b>B3. Development and Training</b>	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3. Development and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	B3. Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	B3. Development and Training

# Environmental, Social and Governance Report

Indicators	Description	Section	
<b>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.	B4. Labour Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards
<b>B5. Supply Chain Management</b>	General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management
	B5.1	Number of suppliers by geographical region.	B5. Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	B5. Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management

# Environmental, Social and Governance Report

Indicators	Description	Section	
<b>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.	B6. Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility
	B6.2	Number of products and service-related complaints received and how they are dealt with.	B6. Product Responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility
	B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6. Product Responsibility
<b>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.	B7. Anti-corruption
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B7. Anti-corruption
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	B7. Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption
<b>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.	B.8 Community Investment
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B.8 Community Investment
	B8.2	Resources contributed (e.g. money or time) to the focus area.	B.8 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 80 to 138, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 20 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\$202,875,000 as at 31 December 2022 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:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/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, 24 March 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Revenue</b>	6	<b>122,135</b>	707,736
Cost of sales		<b>(113,944)</b>	(699,227)
Gross profit		<b>8,191</b>	8,509
Other income	7	<b>1,925</b>	1,626
Other net gain	7	<b>272</b>	42
Selling and distribution expenses		<b>(1,104)</b>	(1,509)
Administrative expenses		<b>(19,522)</b>	(18,350)
<b>Loss from operations</b>		<b>(10,238)</b>	(9,682)
Finance costs	8	<b>(326)</b>	(125)
<b>Loss before taxation</b>	10	<b>(10,564)</b>	(9,807)
Income tax credit/(expense)	9	<b>26</b>	(27)
<b>Loss for the year</b>		<b>(10,538)</b>	(9,834)
<b>Attributable to:</b>			
Owners of the Company		<b>(9,813)</b>	(9,754)
Non-controlling interests		<b>(725)</b>	(80)
<b>Loss for the year</b>		<b>(10,538)</b>	(9,834)
<b>Loss per share</b>	14		
Basic (HK cent per share)		<b>(0.54)</b>	(0.54)
Diluted (HK cent per share)		<b>(0.54)</b>	(0.54)

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 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(10,538)</b>	(9,834)
<b>Other comprehensive 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>(12,165)</b>	(40,935)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(14,925)</b>	(11,371)
<b>Other comprehensive expenses for the year</b>	<b>(27,090)</b>	(52,306)
<b>Total comprehensive expenses for the year</b>	<b>(37,628)</b>	(62,140)
<b>Attributable to:</b>		
Owners of the Company	<b>(35,981)</b>	(62,458)
Non-controlling interests	<b>(1,647)</b>	318
<b>Total comprehensive expenses for the year</b>	<b>(37,628)</b>	(62,140)

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

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	34,707	32,772
Right-of-use assets	16	3,123	–
Non-current prepayments		845	–
Financial assets at fair value through other comprehensive income	17	36,683	48,848
Deferred tax assets	18(a)	10,885	11,580
		<b>86,243</b>	93,200
<b>Current assets</b>			
Inventories	19	11,844	18,158
Properties for sale under development	20	202,875	214,477
Trade and bill receivables	21(a)	25,999	29,600
Prepayments, deposits and other receivables	21(b)	4,594	5,985
Due from a non-controlling shareholder of a subsidiary	24	1,065	1,153
Bank and cash balances		93,878	100,681
		<b>340,255</b>	370,054
<b>Current liabilities</b>			
Trade payables	22	29,469	35,055
Accruals, other payables and deposits received	23	14,096	12,582
Lease liabilities	26	1,517	–
Due to a controlling shareholder of the Company	25	1,701	–
		<b>46,783</b>	47,637
<b>Net current assets</b>		<b>293,472</b>	322,417
<b>Total assets less current liabilities</b>		<b>379,715</b>	415,617
<b>Non-current liabilities</b>			
Lease liabilities	26	1,726	–
<b>NET ASSETS</b>		<b>377,989</b>	415,617

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Capital and reserves</b>			
Share capital	27	18,159	18,159
Reserves	28	349,121	385,102
Equity attributable to owners of the Company		367,280	403,261
Non-controlling interests		10,709	12,356
<b>TOTAL EQUITY</b>		<b>377,989</b>	<b>415,617</b>

The consolidated financial statements on pages 80 to 138 are approved and authorised for issue by the Board of Directors on 24 March 2023 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 2022

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Financial assets revaluation reserve	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	18,159	563,419	(23,784)	89	7,700	(99,864)	465,719	12,038	477,757
Total comprehensive (expenses)/ income for the year	-	-	(40,935)	-	(11,769)	(9,754)	(62,458)	318	(62,140)
At 31 December 2021	18,159	563,419	(64,719)	89	(4,069)	(109,618)	403,261	12,356	415,617
At 1 January 2022	18,159	563,419	(64,719)	89	(4,069)	(109,618)	403,261	12,356	415,617
Total comprehensive expenses for the year	-	-	(12,165)	-	(14,003)	(9,813)	(35,981)	(1,647)	(37,628)
At 31 December 2022	18,159	563,419	(76,884)	89	(18,072)	(119,431)	367,280	10,709	377,989

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(10,564)	(9,807)
Adjustments for:			
Bank interest income	7	(100)	(17)
Depreciation of property, plant and equipment	10	1,845	1,786
Depreciation of right-of-use assets	10	1,416	–
Finance costs	8	326	125
Foreign exchange (gain)/loss		(1,999)	878
(Gain)/loss on disposals of property, plant and equipment	7	(73)	2
Write-down of inventories	10	1,833	1,778
Operating cash flows before working capital changes		(7,316)	(5,255)
Change in inventories		5,125	(6,212)
Change in properties for sale under development		(1,288)	(1,600)
Change in trade and bill receivables		3,600	(4,136)
Change in prepayments, deposits and other receivables		1,063	(2,057)
Change in trade payables		(5,041)	7,895
Change in accruals, other payables and deposits received		1,927	3,420
Cash used in operations		(1,930)	(7,945)
Overseas tax refunded/(paid)		26	(26)
<b>Net cash used in operating activities</b>		<b>(1,904)</b>	<b>(7,971)</b>
<b>Cash flows from investing activities</b>			
Bank interest received		100	17
Proceeds from disposals of property, plant and equipment		228	–
Purchase of property, plant and equipment		(5,414)	(1,619)
<b>Net cash used in investing activities</b>		<b>(5,086)</b>	<b>(1,602)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from bank loans	<b>3,588</b>	8,096
Increase in amount due to a controlling shareholder of the Company	<b>1,674</b>	–
Repayment of bank loans	<b>(3,432)</b>	(8,125)
Capital element of lease rentals paid	<b>(1,292)</b>	–
Interest element of lease rentals paid	<b>(135)</b>	–
Interest paid	<b>(187)</b>	(125)
<b>Net cash generated from/(used in) financing activities</b>	<b>216</b>	(154)
<b>Net decrease in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year	<b>100,681</b>	110,031
Effect of change in foreign exchange rate	<b>(29)</b>	377
<b>Cash and cash equivalents at end of year</b>	<b>93,878</b>	100,681
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>93,878</b>	100,681

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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 37 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of these consolidated financial statements, 海亮集團有限公司 (literally translated as Hailiang Group Co., Ltd.) (“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 number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting year of the Group. None of these developments have had 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 HKFRSs that is not yet effective for the current accounting year. The Directors anticipated that the application of these new HKFRSs will have no material impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Consolidation (Continued)

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.

### 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%
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

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.

### 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. The principal annual rate is as follows:

Land and buildings	3 years
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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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Properties for sale under development

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

### Inventories

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

### 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 and receivable 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

#### (i) *Financial assets at amortised cost*

Financial assets (including trade and bill receivables, 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 2022

## 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

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 the 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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### (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.

### 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currency translation (Continued)

#### (c) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expenses 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties (Continued)

- (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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Provisions and contingent liabilities

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

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

### Events after the reporting period

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### (a) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### (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.

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. FINANCIAL RISK MANAGEMENT (Continued)

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

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation 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.

	2022		2021	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
AUD	217,424	–	222,999	–
US\$	75,071	–	83,636	–
HK\$	–	(23,499)	–	(21,818)
RMB	2,030	(2,481)	371	(849)
SGD	12,622	–	12,552	–

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. FINANCIAL RISK MANAGEMENT (Continued)

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

#### Sensitivity analysis (Continued)

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.

	2022				2021			
	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%	(7)	(7)	10,864	5%	(3)	(3)	11,147
	(5%)	7	7	(10,864)	(5%)	3	3	(11,147)
HK\$	5%	-	-	(1,175)	5%	-	-	(1,091)
	(5%)	-	-	1,175	(5%)	-	-	1,091
RMB	5%	(6)	(6)	(28)	5%	(7)	(7)	(31)
	(5%)	6	6	28	(5%)	7	7	31
SGD	5%	(631)	(631)	-	5%	(628)	(628)	-
	(5%)	631	631	-	(5%)	628	628	-

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

At 31 December 2022, 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\$1,834,000 (2021: approximately HK\$2,442,000) 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 2022

## 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 2022 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-rating 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk (Continued)

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 2022</b>					
Trade payables	29,469	-	-	29,469	29,469
Accruals and other payables	13,620	-	-	13,620	13,620
Due to a controlling shareholder of the Company	1,701	-	-	1,701	1,701
	<b>44,790</b>	<b>-</b>	<b>-</b>	<b>44,790</b>	<b>44,790</b>
<b>At 31 December 2021</b>					
Trade payables	35,055	-	-	35,055	35,055
Accruals and other payables	11,997	-	-	11,997	11,997
	<b>47,052</b>	<b>-</b>	<b>-</b>	<b>47,052</b>	<b>47,052</b>

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (f) Categories of financial instruments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	121,992	133,322
Financial assets at fair value through other comprehensive income		
– Equity investment	36,683	48,848
	<b>158,675</b>	<b>182,170</b>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	44,790	47,052

### (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 2022 and 2021.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values (Continued)

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 2022</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	<b>36,683</b>	–	–	<b>36,683</b>
<b>At 31 December 2021</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	48,848	–	–	48,848

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

## 6. REVENUE 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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. REVENUE AND SEGMENT REPORTING (Continued)

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 expense or 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.

### (a) Disaggregation of revenue

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

	<b>2022</b> <i>HK\$'000</i>	2021 <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	<b>37,821</b>	608,633
– Development and provision of electronic turnkey device solutions	<b>84,314</b>	99,103
	<b>122,135</b>	707,736
Disaggregated by geographical location of customers		
– The People's Republic of China (the "PRC") except Hong Kong	<b>83,737</b>	99,103
– Hong Kong	<b>37,821</b>	393,353
– Singapore	–	215,280
– Other countries	<b>577</b>	–
	<b>122,135</b>	707,736

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. REVENUE AND SEGMENT REPORTING (Continued)

### (a) Disaggregation of revenue (Continued)

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

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Customer A	<b>40,420</b>	N/A*
Customer B	<b>37,821</b>	95,528
Customer C	<b>12,327</b>	N/A*
Customer D	–	297,826
Customer E	–	140,050
Customer F	–	75,229

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Disaggregated by timing of revenue recognition</b>								
Point in time	37,821	608,633	84,314	99,103	-	-	122,135	707,736
<b>Revenue from external customers</b>	<b>37,821</b>	<b>608,633</b>	<b>84,314</b>	<b>99,103</b>	<b>-</b>	<b>-</b>	<b>122,135</b>	<b>707,736</b>
<b>Segment profit/(loss) before finance costs and income tax credit/(expense)</b>	<b>103</b>	<b>135</b>	<b>(1,133)</b>	<b>20</b>	<b>(1,580)</b>	<b>(2,013)</b>	<b>(2,610)</b>	<b>(1,858)</b>
Bank interest income	93	1	5	12	-	-	98	13
Finance costs	-	-	(322)	(125)	-	-	(322)	(125)
Depreciation of property, plant and equipment	-	-	(1,244)	(1,093)	(1)	(3)	(1,245)	(1,096)
Depreciation of right-of-use assets	-	-	(1,416)	-	-	-	(1,416)	-
Write-down of inventories	-	-	(1,833)	(1,778)	-	-	(1,833)	(1,778)
Capital expenditures	-	-	4,507	1,619	-	-	4,507	1,619
<b>Segment assets</b>	<b>88,752</b>	<b>97,041</b>	<b>59,032</b>	<b>61,616</b>	<b>214,160</b>	<b>226,848</b>	<b>361,944</b>	<b>385,505</b>
<b>Segment liabilities</b>	<b>97</b>	<b>122</b>	<b>39,165</b>	<b>40,439</b>	<b>6,669</b>	<b>6,476</b>	<b>45,931</b>	<b>47,037</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 6. REVENUE AND SEGMENT REPORTING (Continued)

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit or loss</b>		
Total loss of reportable segments	<b>(2,610)</b>	(1,858)
Unallocated amounts:		
Unallocated corporate other income	<b>146</b>	4
Unallocated corporate other net gain/(loss)	<b>63</b>	(26)
Unallocated corporate expenses	<b>(7,837)</b>	(7,802)
Finance costs	<b>(326)</b>	(125)
Loss before taxation	<b>(10,564)</b>	(9,807)
<b>Assets</b>		
Total assets of reportable segments	<b>361,944</b>	385,505
Unallocated corporate assets	<b>64,554</b>	77,749
Total assets	<b>426,498</b>	463,254
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>45,931</b>	47,037
Unallocated corporate liabilities	<b>2,578</b>	600
Total liabilities	<b>48,509</b>	47,637

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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, right-of-use assets, non-current prepayments and financial assets at fair value through other comprehensive income ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place, 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
The PRC except Hong Kong	83,737	99,103	12,952	6,462
Hong Kong	37,821	393,353	25,723	26,309
Singapore	–	215,280	36,683	48,848
Australia	–	–	–	1
Other countries	577	–	–	–
	<b>122,135</b>	<b>707,736</b>	<b>75,358</b>	<b>81,620</b>

## 7. OTHER INCOME AND OTHER NET GAIN

	2022 HK\$'000	2021 HK\$'000
<b>Other income</b>		
Bank interest income	100	17
Government grants	193	8
Rental income	1,515	1,355
Sundry income	117	246
	<b>1,925</b>	<b>1,626</b>
<b>Other net gain</b>		
Net foreign exchange gain	199	44
Gain/(loss) on disposals of property, plant and equipment	73	(2)
	<b>272</b>	<b>42</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	74	60
Interest on other borrowings	117	65
Interest on lease liabilities	135	–
	<b>326</b>	125

## 9. INCOME TAX (CREDIT)/EXPENSE

	2022 HK\$'000	2021 HK\$'000
<b>Current tax – Overseas</b>		
Provision for the year	–	27
Over-provision in prior years	(26)	–
	<b>(26)</b>	27

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2022 and 2021 as the Group sustained a loss for taxation purpose during the years.

No provision for overseas tax has been made for the year ended 31 December 2022 as the Group did not have any assessable profits arising outside Hong Kong during that year. Taxation for overseas subsidiaries for the year ended 31 December 2021 was charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2022 HK\$'000	2021 HK\$'000
Loss before taxation	<b>(10,564)</b>	(9,807)
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	<b>(1,743)</b>	(1,618)
Tax effect of expenses that are not deductible	<b>112</b>	124
Tax effect of income that are not taxable	<b>(64)</b>	(40)
Over-provision in prior years	<b>(26)</b>	–
Tax effect of tax losses not recognised	<b>2,056</b>	1,983
Tax effect of different tax rates of subsidiaries	<b>(426)</b>	(504)
Others	<b>65</b>	82
	<b>(26)</b>	27

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 10. LOSS BEFORE TAXATION

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

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	<b>20,183</b>	19,963
Retirement benefits scheme contributions	<b>731</b>	737
	<b>20,914</b>	20,700
Auditor's remuneration	<b>680</b>	680
Cost of inventories sold	<b>112,112</b>	697,449
Depreciation of property, plant and equipment ( <i>note 15</i> )	<b>1,845</b>	1,786
Depreciation of right-of-use assets ( <i>note 16</i> )	<b>1,416</b>	–
Write-down of inventories	<b>1,833</b>	1,778
Research and development costs (other than amortisation costs)	<b>4,837</b>	3,312

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$11,427,000 (2021: approximately HK\$11,599,000), while research and development costs included staff costs and depreciation totalling approximately HK\$3,875,000 (2021: approximately HK\$2,790,000), which are included in the amounts disclosed separately above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

The remunerations of each Director are as follows:

Name of Directors	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	-	668	-	-	18	686
Feng Luming	-	538	-	-	18	556
Jin Xiaozheng	-	205	-	-	10	215
Chan Wing Mui Helen	120	-	-	-	-	120
Chiu King Yan	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
<b>Total for 2022</b>	<b>360</b>	<b>1,411</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>1,817</b>
Cao Jianguo	-	668	-	-	18	686
Feng Luming	-	538	-	-	18	556
Jin Xiaozheng	-	205	-	-	10	215
Chan Wing Mui Helen	120	-	-	-	-	120
Chiu King Yan	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
<b>Total for 2021</b>	<b>360</b>	<b>1,411</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>1,817</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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 (2021: two) Directors whose remunerations are reflected in the analysis presented above. The remunerations of the three (2021: three) individuals are set out below:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries and allowances	<b>2,642</b>	2,651
Retirement benefit scheme contributions	<b>183</b>	199
	<b>2,825</b>	2,850

The remunerations of the three (2021: three) individuals with the highest remunerations are within the following bands:

	<b>2022</b> <b>Number of individuals</b>	2021 Number of individuals
Nil – HK\$1,000,000	<b>2</b>	2
HK\$1,500,001 – HK\$2,000,000	<b>1</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>2022</b> <b>Number of individuals</b>	2021 Number of individuals
Nil – HK\$1,000,000	<b>2</b>	2

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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. No forfeited contribution under the MPF Scheme is available to reduce the Company’s future contribution.

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 was 9.5% of the ordinary time earnings until 30 June 2021, increased to 10% for the period from 1 July 2021 to 30 June 2022, and then increased to 10.5% effective from 1 July 2022, 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 2022 (2021: 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:

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<b>(9,813)</b>	(9,754)
	<b>2022</b> <b>'000</b>	2021 <i>'000</i>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>1,815,911</b>	1,815,911

The basic and diluted loss per share for the years ended 31 December 2022 and 2021 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 2022

## 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 2021	29,132	10,214	1,323	637	1,452	42,758
Additions	-	1,083	238	169	129	1,619
Disposals	-	-	-	(60)	-	(60)
Exchange differences	-	357	29	23	33	442
At 31 December 2021 and 1 January 2022	29,132	11,654	1,590	769	1,614	44,759
Additions	-	3,593	262	-	666	4,521
Disposals	-	(1,777)	-	(132)	-	(1,909)
Exchange differences	-	(944)	(117)	(55)	(103)	(1,219)
<b>At 31 December 2022</b>	<b>29,132</b>	<b>12,526</b>	<b>1,735</b>	<b>582</b>	<b>2,177</b>	<b>46,152</b>
<b>Accumulated depreciation</b>						
At 1 January 2021	2,258	5,128	931	502	1,197	10,016
Charge for the year	583	904	81	63	155	1,786
Written back on disposals	-	-	-	(58)	-	(58)
Exchange differences	-	186	13	17	27	243
At 31 December 2021 and 1 January 2022	2,841	6,218	1,025	524	1,379	11,987
Charge for the year	583	936	104	32	190	1,845
Written back on disposals	-	(1,627)	-	(127)	-	(1,754)
Exchange differences	-	(454)	(70)	(37)	(72)	(633)
<b>At 31 December 2022</b>	<b>3,424</b>	<b>5,073</b>	<b>1,059</b>	<b>392</b>	<b>1,497</b>	<b>11,445</b>
<b>Carrying amount</b>						
<b>At 31 December 2022</b>	<b>25,708</b>	<b>7,453</b>	<b>676</b>	<b>190</b>	<b>680</b>	<b>34,707</b>
At 31 December 2021	26,291	5,436	565	245	235	32,772

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Land and buildings	<b>3,123</b>	–

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of right-of-use assets		
– Land and buildings	<b>1,416</b>	–
Interest on lease liabilities	<b>135</b>	–
Expenses relating to short-term leases	<b>597</b>	1,824
Expenses relating to leases of low-value assets that are not short-term leases	<b>13</b>	14

During the year ended 31 December 2022, additions to right-of-use assets were approximately HK\$4,869,000 (2021: Nil). This amount primarily related to the capitalised lease payments payable under new tenancy agreement.

Details of the maturity analysis of lease liabilities, total cash outflow for leases and the lease commitments for short-term leases are set out in notes 26, 30(b) and 33(a), respectively.

The Group leases land and buildings. Lease agreements are typically made for fixed periods of 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Equity securities, at fair value</b>		
Listed in Singapore	<b>36,683</b>	48,848
<b>Analysed as:</b>		
Non-current assets	<b>36,683</b>	48,848

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) (“Zheneng Jinjiang”) (the “Subscription”) at an aggregate subscription price of SGD19,287,900 (equivalent to approximately HK\$111,727,000). Zheneng 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 Zheneng 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 2022, the Group held approximately 1.47% (2021: approximately 1.47%) of the total issued share capital of Zheneng 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 2022

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

### (a) Deferred tax assets recognised

*Movement of each component of deferred tax assets*

The components of deferred tax assets recognised in the consolidated statement of financial position and the 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 2021	12,221
Exchange differences	(641)
At 31 December 2021 and 1 January 2022	11,580
Exchange differences	(695)
<b>At 31 December 2022</b>	<b>10,885</b>

### (b) Deferred tax assets not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$42,743,000 (2021: approximately HK\$33,636,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$8,838,000 (2021: approximately HK\$4,983,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

## 19. INVENTORIES

	<b>2022 HK\$'000</b>	2021 HK\$'000
Raw materials	<b>4,382</b>	8,668
Work in progress	<b>3,563</b>	4,718
Finished goods	<b>3,899</b>	4,772
	<b>11,844</b>	18,158

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	<i>HK\$'000</i>
At 1 January 2021	224,720
Additions	1,600
Exchange differences	(11,843)
At 31 December 2021 and 1 January 2022	214,477
Additions	1,288
Exchange differences	(12,890)
<b>At 31 December 2022</b>	<b>202,875</b>

As at 31 December 2022, 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>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Outside Hong Kong		
– Freehold	<b>180,951</b>	192,494

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### (a) Trade and bill receivables

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Trade and bill receivables	<b>29,745</b>	33,655
Less: Provision for loss allowance	<b>(3,746)</b>	(4,055)
	<b>25,999</b>	29,600

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 10 days to 60 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>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
30 days or less	<b>19,338</b>	26,614
31 days to 60 days	<b>5,494</b>	2,690
61 days to 90 days	<b>556</b>	146
91 days to 120 days	<b>164</b>	95
Over 120 days	<b>447</b>	55
	<b>25,999</b>	29,600

No bill receivables were included in the balance of trade and bill receivables as at 31 December 2022 (2021: approximately HK\$1,035,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 21. 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 currency:

	2022 HK\$'000	2021 HK\$'000
RMB	25,999	29,600

Movement of loss allowance for trade and bill receivables:

	2022 HK\$'000	2021 HK\$'000
At 1 January	4,055	3,925
Exchange differences	(309)	130
At 31 December	3,746	4,055

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.

	Current	30 days or less past due	31 days to 120 days past due	Over 120 days past due	Total
<b>At 31 December 2022</b>					
Weighted average expected loss rate	-	-	-	95%	
Receivable amount (HK\$'000)	19,457	5,827	515	3,946	29,745
Loss allowance (HK\$'000)	-	-	-	(3,746)	(3,746)
<b>At 31 December 2021</b>					
Weighted average expected loss rate	-	-	-	99%	
Receivable amount (HK\$'000)	25,006	4,420	119	4,110	33,655
Loss allowance (HK\$'000)	-	-	-	(4,055)	(4,055)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### (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\$399,000 (2021: approximately HK\$11,000).

## 22. TRADE PAYABLES

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

	2022 HK\$'000	2021 HK\$'000
30 days or less	17,825	25,604
31 days to 60 days	4,921	3,328
61 days to 90 days	3,926	3,212
91 days to 120 days	1,598	1,840
Over 120 days	1,199	1,071
	<b>29,469</b>	<b>35,055</b>

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

	2022 HK\$'000	2021 HK\$'000
RMB	<b>29,469</b>	<b>35,055</b>

## 23. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

The balance of accruals, other payables and deposits received included an amount of approximately HK\$2,603,000 (2021: approximately HK\$2,205,000) in relation to borrowings from a subsidiary's staff and the spouse of a staff, which is unsecured, interest bearing at 5.25% per month (2021: 1%) and repayable on demand.

## 24. 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 2022

## 25. DUE TO A CONTROLLING SHAREHOLDER OF THE COMPANY

The amount due to a controlling shareholder of the Company is secured by a director of a subsidiary, interest bearing at 4.35% per annum and repayable by 12 December 2023.

## 26. LEASE LIABILITIES

	2022		2021	
	Lease payments HK\$'000	Present value of lease payments HK\$'000	Lease payments HK\$'000	Present value of lease payments HK\$'000
Within 1 year	1,621	1,517	–	–
After 1 year but within 2 years	1,768	1,726	–	–
	3,389	3,243	–	–
Less: Future finance charges	(146)		–	–
Present value of lease liabilities	3,243		–	–
<b>Analysed as:</b>				
Current liabilities		1,517		–
Non-current liabilities		1,726		–
		3,243		–

At 31 December 2022, the effective interest rate was 4.15%. Interest rate is fixed at the contract date and thus exposes the Group to fair value interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. SHARE CAPITAL

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

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

	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
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

## 28. RESERVES

### (a) The Group

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

### (b) The Company

	<b>Share premium HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2021	563,419	(123,378)	440,041
Total comprehensive expenses for the year	–	(54,939)	(54,939)
At 31 December 2021	563,419	(178,317)	385,102
At 1 January 2022	563,419	(178,317)	385,102
Total comprehensive expenses for the year	–	(35,981)	(35,981)
<b>At 31 December 2022</b>	<b>563,419</b>	<b>(214,298)</b>	<b>349,121</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 28. RESERVES (Continued)

### (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 second amended and restated articles of association, the funds in the share premium account of the Company are distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Foreign currency translation reserve*

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

#### (iii) *Statutory reserve*

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

#### (iv) *Financial assets revaluation reserve*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 29. SHARE-BASED PAYMENTS

### *Equity-settled share option scheme*

The 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 would be valid and effective for a period of 10 years commencing from the date of adoption. The Scheme was expired on 27 June 2022. 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 representative 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 30 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 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 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 Share. The exercise period of the share options granted is determinable by the Directors but in any event, not longer than 10 years from the date of grant.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 29. SHARE-BASED PAYMENTS (Continued)

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

The limit on the total number of 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 Shares in issue from time to time. In addition, the total number of 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 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 2022 and 2021 and no share options were outstanding as at 31 December 2022 and 2021.

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of liabilities arising from financing activities

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

	<b>Bank loans and other borrowings HK\$'000</b>	<b>Lease liabilities HK\$'000</b>	<b>Due to a controlling shareholder of the Company HK\$'000</b>	<b>Total liabilities from financing activities HK\$'000</b>
At 1 January 2021	–	–	–	–
Changes in cash flows	(154)	–	–	(154)
Non-cash change				
– interest charged	125	–	–	125
– exchange differences	29	–	–	29
<b>At 31 December 2021 and 1 January 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Changes in cash flows	(31)	(1,427)	1,674	216
Non-cash change				
– additions to lease liabilities	–	4,869	–	4,869
– interest charged	187	135	4	326
– exchange differences	(156)	(334)	23	(467)
<b>At 31 December 2022</b>	<b>–</b>	<b>3,243</b>	<b>1,701</b>	<b>4,944</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2022 HK\$'000	2021 HK\$'000
Within operating cash flows	610	1,838
Within financing cash flows	1,427	–
	<b>2,037</b>	1,838

These amounts relate to the following:

	2022 HK\$'000	2021 HK\$'000
Lease rentals paid	2,037	1,838

## 31. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

## 32. PLEDGE ON ASSETS

As at 31 December 2022, the Group did not have assets under pledge (2021: Nil).

## 33. LEASE COMMITMENTS

### (a) As lessee

At the end of the reporting period, the lease commitments for short-term leases of the Group were approximately HK\$44,000 (2021: approximately HK\$154,000).

### (b) As lessor

At the end of the reporting period, undiscounted lease payments under non-cancellable operating leases in place will be receivable by the Group in future periods as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	58	663

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted for:		
Purchase of property, plant and equipment	<u>7,196</u>	<u>–</u>
Authorised but not contracted for:		
Capital contribution to a subsidiary	<u>1,584</u>	<u>1,715</u>

## 35. RELATED PARTY TRANSACTIONS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Compensation of key management personnel		
Short-term benefits	1,771	1,771
Post-employment benefits	<u>46</u>	<u>46</u>
	<u>1,817</u>	<u>1,817</u>

## 36. 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 2022

## 37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2022 were as follows:

Name	Place of incorporation/ registration and operation	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
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 2022

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

(a) **Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2022 were as follows: (Continued)**

Foshan Lianchuang Hualian is a limited liability company 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, 廈門華聯電子股份有限公司 (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 a limited liability company 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 2022

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

### (b) Details of non-wholly owned subsidiary that has material non-controlling interests (“NCI”)

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

Name Principal place of operation/country of incorporation	Foshan Lianchuang Hualian The PRC	
	2022	2021
% 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>14,991</b>	8,589
Current assets	<b>44,985</b>	52,481
Current liabilities	<b>(41,148)</b>	(41,127)
Non-current liabilities	<b>(1,726)</b>	–
Net assets	<b>17,102</b>	19,943
Carrying amount of NCI	<b>8,515</b>	9,930
<b>Year ended 31 December:</b>		
Revenue	<b>84,204</b>	98,616
Loss for the year	<b>(1,358)</b>	(40)
Loss allocated to NCI	<b>(676)</b>	(20)
Total comprehensive (expenses)/income for the year	<b>(2,840)</b>	601
Total comprehensive (expenses)/income allocated to NCI	<b>(1,414)</b>	299
Net cash generated from operating activities	<b>7,398</b>	1,883
Net cash used in investing activities	<b>(5,173)</b>	(1,610)
Net cash generated from/(used in) financing activities	<b>135</b>	(65)
Net increase in cash and cash equivalents	<b>2,360</b>	208

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### (c) Significant restriction

As at 31 December 2022, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK\$4,330,000 (2021: approximately HK\$2,155,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		15	19
Interests in subsidiaries (note a)	37	160,595	154,943
		<b>160,610</b>	154,962
<b>Current assets</b>			
Due from subsidiaries (note b)		206,715	247,751
Prepayments, deposits and other receivables		397	453
Bank and cash balances		339	621
		<b>207,451</b>	248,825
<b>Current liabilities</b>			
Accruals and other payables		781	526
		<b>206,670</b>	248,299
<b>NET ASSETS</b>		<b>367,280</b>	403,261
<b>Capital and reserves</b>			
Share capital	27	18,159	18,159
Reserves	28(b)	349,121	385,102
<b>TOTAL EQUITY</b>		<b>367,280</b>	403,261

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

Notes:

(a) Interests in subsidiaries

	2022 HK\$'000	2021 HK\$'000
Unlisted investments, at cost	70,963	70,963
Amount due from a subsidiary	89,632	83,980
	<b>160,595</b>	154,943

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.

(b) The amounts due from subsidiaries are unsecured and have no fixed term of repayment. Included in the balance of amount due from subsidiaries is an amount of approximately HK\$151,142,000 (2021: approximately HK\$160,784,000) interest bearing at 6.66% per annum and repayable on 31 December 2023.

## 39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 24 March 2023.

# Particulars of Major Properties and Property Interests

As at 31 December 2022

## 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				2022
	2018	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Revenue	976,993	476,042	419,312	707,736	<b>122,135</b>
Loss for the year	(933)	(11,233)	(9,524)	(9,834)	<b>(10,538)</b>
(Loss)/Profit for the year attributable to:					
Owners of the Company	(485)	(10,825)	(9,808)	(9,754)	<b>(9,813)</b>
Non-controlling interests	(448)	(408)	284	(80)	<b>(725)</b>
	(933)	(11,233)	(9,524)	(9,834)	<b>(10,538)</b>
<b>As at 31 December</b>					
	2018	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	479,164	482,824	514,079	463,254	<b>426,498</b>
Total liabilities	(32,477)	(31,963)	(36,322)	(47,637)	<b>(48,509)</b>
	446,687	450,861	477,757	415,617	<b>377,989</b>
<b>EQUITY</b>					
Equity attributable to owners of the Company	435,008	439,800	465,719	403,261	<b>367,280</b>
Non-controlling interests	11,679	11,061	12,038	12,356	<b>10,709</b>
	446,687	450,861	477,757	415,617	<b>377,989</b>