



# **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 2020**

# CONTENTS

- 2 Corporate Information
- 3 Chairman's Statement
- 5 Management Discussion and Analysis
- 15 Biographical Details of Directors and Senior Management
- 20 Report of the Directors
- 31 Corporate Governance Report
- 45 Environmental, Social and Governance Report
- 69 Independent Auditor's Report
- 72 Consolidated Statement of Profit or Loss
- 73 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 74 Consolidated Statement of Financial Position
- 76 Consolidated Statement of Changes in Equity
- 77 Consolidated Statement of Cash Flows
- 79 Notes to the Consolidated Financial Statements
- 131 Particulars of Major Properties and Property Interests
- 132 Five Year Financial Summary

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

Mr. Chang Tat Joel  
(*resigned on 2 June 2020*)  
Mr. Ho Gilbert Chi Hang  
(*resigned on 1 September 2020*)  
Mr. Tsui Kun Lam Ivan  
(*resigned on 12 May 2020*)  
Mr. Chiu King Yan  
(*appointed on 1 September 2020*)  
Dr. Chan Wing Mui Helen  
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. Wang Cheung Yue  
Mr. Chiu King Yan

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

## COMPANY SECRETARY

Ms. Mak Po Man Cherie  
(*appointed on 19 October 2020*)  
Mr. Pang Ka Fai Angus  
(*resigned on 19 October 2020*)

## TRADING OF SHARES

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL BANKS

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

## AUDITOR

ZHONGHUI ANDA CPA Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
Second Floor, Century Yard, Cricket Square  
P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY'S WEBSITE

<http://www.hailianghk.com>

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Hailiang International Holdings Limited (the "Company"), I hereby report the following operating results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

## BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020, the Group's revenue decreased by 12% to HK\$419,312,000 (2019: HK\$476,042,000) and gross profit decreased by 1% to HK\$7,349,000 (2019: HK\$7,448,000). With the novel coronavirus pandemic (the "Pandemic") and global economic turbulence, the metal trading industry suffered in general. The Group reported loss of HK\$9,524,000 for the year ended 31 December 2020 (2019: HK\$11,233,000), and the loss attributable to owners of the Company was HK\$9,808,000 (2019: HK\$10,825,000). Basic loss per share was HK0.54 cent (2019: HK0.60 cent).

The Group has strategically launched its metal trading business since 2015, leveraging the extensive market experience of 海亮集團有限公司 (literally translated as Hailiang Group Co., Ltd. ("Hailiang Group"), the controlling shareholder of the Company), which is a company established in the People's Republic of China (the "PRC"). During the year under review, despite the difficult operating environment, 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 announcements 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 into 2021 and beyond, the road to recovery would be challenging. The development of Pandemic and global trade protectionism continue to affect our daily lives and the business environment of Hong Kong and other territories. These are uncertain times, but we have risen to the occasion and will continue to do so. The Board will continue to evaluate the impact of Pandemic on the operation and financial performance of the Group, and will, if necessary, make further announcements.

The Group has been managing its businesses prudently and expanding its business ventures, particularly strengthening its sales and marketing force of metal trading business, so as to maintain continual development and gain a foothold in the overseas market. The Group will also proactively seize business opportunities favourable to the continual development strategy of the Group, with a view to enhance growth prospect of 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, 26 March 2021

# Management Discussion and Analysis

## BUSINESS OVERVIEW

For the year ended 31 December 2020, 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 2020, the Group reported revenue of HK\$419,312,000, representing a 12% decrease as compared with the same period in 2019 (2019: HK\$476,042,000), and gross profit of HK\$7,349,000, representing a 1% decrease as compared with the same period in 2019 (2019: HK\$7,448,000). The Group reported loss of HK\$9,524,000 (2019: HK\$11,233,000) and other comprehensive income of HK\$36,420,000 (2019: HK\$15,407,000), comprising exchange gain arising from translating foreign operations of HK\$20,906,000 (2019: exchange loss of HK\$2,536,000) and unrealised fair value gain on the investment in the ordinary shares (the “Jinjiang Shares”) of Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司) (“Zheneng Jinjiang”) of HK\$15,514,000 (2019: HK\$17,943,000), which led to the result that the Group recorded total comprehensive income of HK\$26,896,000 for the year ended 31 December 2020 (2019: HK\$4,174,000). The loss attributable to owners of the Company for the year ended 31 December 2020 was HK\$9,808,000 (2019: HK\$10,825,000); whereas basic loss per share was HK0.54 cent (2019: HK0.60 cent).

In general, the rather disappointing Group’s financial performance compared to the same period in 2019 was mainly attributable to the decrease in segment revenue and margin of the Group’s business of sale of metals as a result of global economic turbulence and the adverse impact on the economy due to the Pandemic. On the other hand, the significant increase in exchange gain arising from translating foreign operations recognised under the other comprehensive income of the Group was mainly due to the appreciation of Australian dollars against Hong Kong dollars since the beginning of 2020.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Sale of Metals

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

Benefited from the Group's experience and sales network established since 2015, this segment has achieved segment revenue of HK\$344,648,000 (2019: HK\$418,048,000), which represented 82% of the Group's total revenue for the year ended 31 December 2020 (2019: 88%). With the Pandemic causing severe disruptions to the global supply chain, together with escalating geopolitical tension and global economic slowdown, the metal trading business suffered with a segment loss of HK\$330,000 (2019: segment profit of HK\$935,000).

For the metal trading business, payment in advance is normally required. The Group granted 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 PRC which is 50.21% owned by the Group and is principally engaged in the manufacturing and sale of microcontrollers for home electrical appliances. With the enhanced sales efforts and management, this segment achieved an increase in segment revenue by 29% to HK\$74,664,000 (2019: HK\$57,994,000) and segment profit of HK\$650,000 (2019: segment loss of HK\$782,000).

### 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 2020, no segment revenue (2019: Nil) and segment loss of HK\$1,744,000 (2019: HK\$2,093,000) were recorded. The decrease in segment loss was mainly due to the effective cost containment measures on 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 Group has not yet obtained the relevant development consent in relation to the land in Australia acquired by the Group in February 2015 (the “Site”) due to the fact that the rezoning of the Site (and surrounding area) is under review by local council. Details of the relevant agreement in relation to the acquisition of the Site and the delay in development are set out in the circular and the announcement of the Company dated 24 January 2015 and 30 November 2015, respectively.

In 2015, the Department of Planning and Environment of the New South Wales Government (the “Department”) issued the draft precinct plans (the “Draft Plans”) for the region in which the Site is located indicating a willingness to rezone the Site to allow for residential use. After the public consultation conducted in 2016, the Department decided to revise the Draft Plans and the draft Sydenham to Bankstown Corridor Strategy (the “Corridor Strategy”), indicating support for a change of zoning allowing residential use.

Due to a prolonged transitional period of government reform caused by the parallel State and Federal election and amalgamation of local councils, the revised Draft Plans and the revised Corridor Strategy were only completed and released for public consultations in July 2017. The final Corridor Strategy was reported and endorsed by Canterbury Bankstown Council (the “Council”) in May 2018.

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

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

Given the close proximity of the Site to the Canterbury Public Hospital, and the State government’s announcement of funding for the rejuvenation of that hospital, the Council and the State government have both indicated support for a health use on the Site, which is permissible within the current zoning and achieves Council’s desire of employment usage on the Site. The rezoning and development consent would be expected to be within a 12 to 18 month timeframe after the submission of a planning proposal. Whilst residential development may still be pursued, the Council has indicated a strong preference for healthcare and medical uses in its recent Local Strategic Planning Strategy (“LSPS”) to the State government.



# 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 Canterbury Local Environment Plan with a planning proposal (the “Proposal”). The Proposal is in line with the Council’s preference to retain employment uses along Canterbury Road, where the Site is located. The amendments proposed include a significant increase in the height control for the Site from 12 metres to 56 metres, which will allow an overall increase in the floor area of the Site.

In February 2021, the Council requested the Group for further information and clarification on various matters relating to the Proposal. The Group has committed to respond the Council’s request as quickly as possible, to align with the Council’s release of a new masterplan for Campsie and in line with their submitted LSPS to the State government. The Proposal is subject to the further review and approval from the Council. Once the Group has obtained an indication from the Council on the Proposal, 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 interests 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. It is expected that the Council will provide feedback on the Proposal by August 2021.

The Company will make further announcement 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 2020, the Group held 1.47% of the total issued share capital of Zheneng Jinjiang (31 December 2019: 1.47%).

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\$89,783,000 as at 31 December 2020 (31 December 2019: HK\$74,269,000), accounting for 17% of the Group’s total assets (31 December 2019: 15%). During the year under review, an unrealised fair value gain on the investment in the Jinjiang Shares of HK\$15,514,000 was recorded under other comprehensive income in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020 (2019: HK\$17,943,000), which was mainly attributable to a 19% increase in the market price of the Jinjiang Shares (2019: 30%) since the beginning of 2020.

# Management Discussion and Analysis

## **BUSINESS REVIEW (Continued)**

### **Investment in the Jinjiang Shares (Continued)**

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

The Group is optimistic about the prospects of Zheneng Jinjiang, the principal business of which includes waste incineration and power generation in the PRC, which involves burning of municipal solid waste at high temperature, and, during the process, the heat energy generated is transformed to high temperature steam to initiate the rotation of turbines for power generation. Having considered the financial performance, business development and prospects of 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 2020.

## **PROSPECTS**

Looking into 2021 and beyond, the road to recovery would be challenging. The development of Pandemic and geopolitical tension continue to lead paradigm shifts in different industries and economies. The Group is continuously strengthening its sales and marketing force in relation to the metal trading business with emphasis on serving the needs of different customers in different geographical markets, while implementing cost containment measures to be ready to respond to further deterioration in businesses ahead resulted from the Pandemic. The Group will continue to pursue development of its project in Sydney, Australia to enhance the growth prospect of the Group. Nonetheless, the Group will also proactively seize business opportunities that may arise in this uniquely challenging period.

## **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 31 to 44 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.

# Management Discussion and Analysis

## KEY RISKS AND UNCERTAINTIES (Continued)

### Global and Mainland Economic Environment Risk

As mentioned in the section headed “Business Review”, the global economic recovery has been weaker than expected. The economy has slowed down during the industrial transformation and upgrading phase and the impact of 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.

### Currency Market Risk

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

### Reliance on Major Customers and Suppliers Risks

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

# Management Discussion and Analysis

## KEY RISKS AND UNCERTAINTIES (Continued)

### Novel Coronavirus Pandemic

Since the early 2020, the Pandemic has been ongoing up to the date of this annual report and has caused serious disruption in the global supply chain and caused the metal trading industry suffering, all of which have affected the Group's metal trading business. The Group closely monitors the impact of the Pandemic on the Group's business and economic activities and the extent of potential disruption caused, so as to assess the impact of the Pandemic on the Group's operations and financial performance, and will disclose it separately when necessary. Given the dynamic nature of the Pandemic, at the date of this annual report, the Board believes that the potential impact of the Pandemic on the Group's financial position, cash flows and operating results depends on various factors such as its duration, government, corporate and individual's corresponding responses for the Pandemic, and thus, it is not practicable to reasonably estimate the potential impact.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 31 December 2020, the Group had current assets of HK\$379,333,000 (31 December 2019: HK\$365,181,000) comprising bank and cash balances of HK\$110,031,000 (31 December 2019: HK\$125,380,000) and net current assets of HK\$343,011,000 (31 December 2019: HK\$333,218,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$36,322,000 (31 December 2019: HK\$31,963,000), maintained at a healthy level of 10.44 times (31 December 2019: 11.43 times) as at the end of the year under review.

As at 31 December 2020, the Group's equity attributable to owners of the Company was HK\$465,719,000 (31 December 2019: HK\$439,800,000).

The Group's gearing ratio represented its total borrowings over the sum of equity attributable to owners of the Company and total borrowings of the Group. As at 31 December 2020, the Group had no bank borrowings (31 December 2019: Nil) and the Group's equity attributable to owners of the Company amounted to HK\$465,719,000 (31 December 2019: HK\$439,800,000). The Group's gearing ratio was therefore maintained at a very low level of 0.00% as at 31 December 2020 (31 December 2019: 0.00%).

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

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

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### 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 2020, 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 dollars is pegged to United States dollars, and the exposure to Renminbi was minimised via balancing the Renminbi monetary assets versus the Renminbi monetary liabilities. Nevertheless, financial performance of the Group may be affected by the fluctuation of Australian dollars and Singapore dollars. Furthermore, as the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to exchange rate fluctuation on translation of Australian dollars, Singapore dollars and Renminbi into Hong Kong dollars. However, the Group anticipates that future currency fluctuations will not cause material operational difficulties or liquidity problems. The Group did not enter into any arrangements for the purpose of hedging against the potential foreign exchange risks during the year under review.

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

### Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

### Pledge of Assets

As at 31 December 2020, the Group had no banking facilities and hence no assets of the Group were pledged to secure its banking facilities (31 December 2019: Nil).

### Capital Commitments

As at 31 December 2020, the Group had capital commitments authorised but not contracted for that not provided for in the financial statements of the Group amounted to HK\$1,660,000 (31 December 2019: HK\$1,564,000), which represented capital contribution to a subsidiary. The commitments will be financed by internal resources and/or external debts and/or by equity financing.

# Management Discussion and Analysis

## FINANCIAL REVIEW (Continued)

### 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 2020, the Group had approximately 197 employees (31 December 2019: approximately 167) including the directors of the Company (the “Directors”). Total staff costs for the year under review, including Directors’ remuneration, was HK\$18,405,000 (2019: HK\$18,537,000). The Group remunerated its employees based on their performance, experience and prevailing market conditions. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary 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.

## 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.

# Management Discussion and Analysis

## **ENVIRONMENTAL POLICIES AND PERFORMANCE (Continued)**

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 58, 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 of Hailiang Group since March 2016 and the President of Hailiang Group since January 2021. He was 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 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”) 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 is the judging panel expert of The State Science Technology Awards (中國國家科學技術獎), a member of the professional committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會專家委員會), the vice chairman of the third, fourth and fifth National Nonferrous Metals Standardisation Technological Committee (第三屆、第四屆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 (TC26) (銅及銅合金技術委員會) 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) and “Zhejiang Province’s Ten Best Business Managers for the Year 2011” (2011年度浙江省十佳事業經理人), “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 34, 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 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 Natregro E-commerce Co., Ltd. (浙江明康匯電子商務有限公司) since October 2015 and an executive director of Hangzhou Puying Trading Limited (杭州璞瑩貿易有限公司) 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, 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 37, has been an Executive Director of the Company since 22 August 2017. Dr. Jin was an executive director and general manager of Mingly Corporation from July 2014 to April 2020. 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

**Mr. Chiu King Yan**, aged 43, has been an Independent Non-executive Director of the Company since 1 September 2020. Mr. Chiu has over 20 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 independent non-executive director of ICO Group Limited (Stock Code: 1460) since 22 April 2020. Mr. Chiu has been an executive director of Summit Ascent Holdings Limited (Stock Code: 102) since 26 April 2019. Mr. Chiu has been the Chief Financial Officer of Suncity Group Holdings Limited (Stock Code: 1383) since August 2016 and the Company Secretary of Suncity Group Holdings Limited since December 2020. Mr. Chiu was an executive director of Wanjia Group Holdings Limited (Stock Code: 401) from March 2017 to February 2018. He was the group Chief Financial Officer of AID Partners Capital Holdings Limited (Stock Code: 8088) (now known as AID Life Science Holdings Limited) from April 2014 to July 2016, responsible for financial reporting, investment management and mergers and acquisitions.

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)

**Dr. Chan Wing Mui Helen**, aged 62, 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. 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.

**Mr. Wang Cheung Yue**, aged 77, 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 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.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

### Company Secretary

**Ms. Mak Po Man Cherie**, aged 46, 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 (formerly known as SW Corporate Services Group Limited), a corporate service provider. She has worked for various professional firms and listed companies in Hong Kong, with over 16 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 2020.

## 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 33 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “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 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 72 to 130 of this annual report.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 132 of this annual report.

## PROPERTIES

Particulars of the major properties and property interests of the Group are set out on page 131 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 existing share option scheme of the Company (the “Scheme”) was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Scheme is to enable the Group to attract, retain and motivate talented Participants (as defined below) to strive for future development and expansion of the Group. The Scheme shall 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.

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

The Board may grant (subject to acceptance in accordance with the terms of the Scheme) an option to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) (the “Participant(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 thirty 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 interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant 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 ten years from the date of grant. An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

As at the date of this annual report, no share options had been granted under the Scheme by the Company. Additional information in relation to the Scheme is set out in note 25 to the consolidated financial statements.

As at the date of this annual report, the total number of Shares available for issue under the Scheme was 106,971,700, representing approximately 6% of the issued Shares as at the date of this annual report.

Other than the Scheme, no equity-linked agreements were entered into by the Company during the year or subsisting at the end of the year ended 31 December 2020.

## **PRE-EMPTIVE RIGHTS**

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

## **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 2020, 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 24(b) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

The Company's total distributable reserves as at 31 December 2020 amounted to HK\$440,041,000 (2019: HK\$417,222,000).



# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the aggregate amount of revenue attributable to the Group's five largest customers were approximately 95% of the Group's total revenue and the revenue attributable to the Group's largest customer were approximately 64% of the Group's total revenue.

For the year ended 31 December 2020, the aggregate amount of purchases from the Group's five largest suppliers were approximately 89% of the Group's total purchases and the purchases from the Group's largest supplier were approximately 66% 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 interest 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

Mr. Chang Tat Joel (resigned on 2 June 2020)  
Mr. Ho Gilbert Chi Hang (resigned on 1 September 2020)  
Mr. Tsui Kun Lam Ivan (resigned on 12 May 2020)  
Mr. Chiu King Yan (appointed on 1 September 2020)  
Dr. Chan Wing Mui Helen  
Mr. Wang Cheung Yue

In accordance with Article 87 of the Articles of Association, Mr. Cao Jianguo (曹建國先生) and Mr. Wang Cheung Yue will retire by rotation at the forthcoming annual general meeting (the "AGM"). Each of Mr. Cao Jianguo (曹建國先生) and Mr. Wang Cheung Yue is being eligible offer themselves for re-election at the AGM.

In accordance with Article 86(3) of the Articles of Association, Mr. Chiu King Yan will hold office until the AGM, and being eligible, shall offer himself for re-election of the AGM.

Biographical details of the Directors are set out on pages 15 to 18 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:

Mr. Cao Jianguo (曹建國先生), an Executive Director and the Chairman of the Board, ceased to be the Chairman of the board of directors of Hailiang Group in January 2021. He has been appointed as the Honorary Chairman of China Nonferrous Metal Processing Industry Association (中國有色金屬加工工業協會) in November 2020 and the President of Hailiang Group in January 2021. He is also a senior economist in the PRC since 29 January 2021.

## 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

Details of the Directors' remuneration 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 shareholders 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 2020.

# Report of the Directors

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, 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 interest in companies of Hailiang Group which were engaged in copper and nickel trading business ("Metal Trading Business") in the PRC. Therefore, Mr. Cao Jianguo (曹建國先生) and Mr. Feng Luming (馮櫓銘先生) are considered to have 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 interest.

Save as disclosed above, none of the Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Metal Trading Business and/or other business of the Group during the year ended 31 December 2020.

## 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 2020.

# Report of the Directors

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

As at 31 December 2020, 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) that was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **DIRECTORS' INTERESTS IN 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 2020.

# Report of the Directors

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

As at 31 December 2020, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of ordinary Shares	Approximate percentage of the Company's issued share capital
Mr. Feng 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 98.54% 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<sup>#</sup> (寧波哲韜投資控股有限公司), which owned 40.26% equity interest in Hailiang Group). Accordingly, each of Mr. Feng 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 2020, 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 31 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, share option scheme and discretionary bonus.

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

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, 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 2020 have been reviewed by 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 2020 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 AGM.

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

# Report of the Directors

## DONATIONS

During the year ended 31 December 2020, no donations were made by the Group (2019: Nil).

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out on pages 31 to 44 under the section headed “Corporate Governance Report” of this annual report.

On behalf of the Board

**Cao Jianguo 曹建國**

*Chairman*

Hong Kong, 26 March 2021

# 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 Directors, the Company has complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2020, except for the following deviation with the reasons as explained below:

### Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman 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 annual general meeting held on 19 June 2020 (“2020 AGM”) due to other engagement. Mr. Wang Cheung Yue, an Independent Non-executive Director, was appointed to chair the 2020 AGM.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020.

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 2020.



# Corporate Governance Report

## BOARD OF DIRECTORS

The Board is responsible for the leadership and to monitor the business activities and the performance of the management of the Company and to maximise the interests of the Company and the Shareholders. The Board reviews and approves the objectives, strategies, 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 Mr. Chiu King Yan, Dr. Chan Wing Mui Helen 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.

The Company has received from each of the Independent Non-executive Directors a confirmation of his/her independence for the year ended 31 December 2020 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 President of Hailiang Group since January 2021. He was the Chairman of the board of directors of Hailiang Group from March 2016 to January 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 (including the Directors whose term of office falls within the year ended 31 December 2020, 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), Mr. Chang Tat Joel, Mr. Ho Gilbert Chi Hang, Mr. Tsui Kun Lam Ivan, Mr. Chiu King Yan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue) 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 2020, the Company provided the Directors with reading materials which were prepared by the external legal adviser of the Company. In addition, the Directors were provided with guidance notes and memoranda, where appropriate, to ensure awareness of good corporate governance practices.

All existing 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), Mr. Chiu King Yan, Dr. Chan Wing Mui Helen and Mr. Wang Cheung Yue) have provided a record of the training they received during the year ended 31 December 2020 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 A.6.5 of the CG Code.

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

### Attendance Records of Board meetings and general meeting

The Company held five Board meetings and one general meeting during the year ended 31 December 2020. 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	Board Meetings	Annual General Meeting of the Company held on 19 June 2020
	Number of Meetings Attended/Held	
<b>Executive Directors</b>		
Mr. Cao Jianguo (曹建國先生) (Chairman)	4/5	0/1
Mr. Feng Luming (馮櫓銘先生) (Chief Executive Officer)	5/5	1/1
Dr. Jin Xiaozheng (金曉錚博士)	4/5	1/1
<b>Independent Non-executive Directors</b>		
Mr. Chang Tat Joel (resigned on 2 June 2020)	1/1	0/0
Mr. Ho Gilbert Chi Hang (resigned on 1 September 2020)	3/3	1/1
Mr. Tsui Kun Lam Ivan (resigned on 12 May 2020)	1/1	0/0
Mr. Chiu King Yan (appointed on 1 September 2020)	2/2	0/0
Dr. Chan Wing Mui Helen	5/5	1/1
Mr. Wang Cheung Yue	5/5	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 Office 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 2020, 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 the Audit Committee, the Nomination Committee, the Remuneration Committee and the 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 Company's website and the Stock Exchange's website. As at the date of this annual report, the Remuneration Committee comprises three members, namely Dr. Chan Wing Mui Helen, Mr. Wang Cheung Yue and Mr. Chiu King Yan. The Chairman of the Remuneration Committee is Dr. Chan Wing Mui Helen, the Independent Non-executive Director of the Company.

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 and reviewing and approval for compensation payable to Executive Directors and senior management for any loss or termination of office.

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Remuneration Committee (Continued)

The Remuneration Committee met once during the year ended 31 December 2020 to review the remuneration package of Directors. The attendance of each member is set out below:

Name of Members	Number of Meetings Attended/Held
Mr. Ho Gilbert Chi Hang <i>(resigned as a member of Remuneration Committee on 1 September 2020)</i>	1/1
Mr. Chang Tat Joel <i>(resigned as a member of Remuneration Committee on 2 June 2020)</i>	0/0
Mr. Tsui Kun Lam Ivan <i>(resigned as a member of Remuneration Committee on 12 May 2020)</i>	0/0
Dr. Chan Wing Mui Helen <i>(appointed as a member of Remuneration Committee on 12 May 2020 and appointed as the Chairman of Remuneration Committee on 2 June 2020)</i>	1/1
Mr. Wang Cheung Yue <i>(appointed as a member of Remuneration Committee on 2 June 2020)</i>	1/1
Mr. Chiu King Yan <i>(appointed as a member of Remuneration Committee on 1 September 2020)</i>	0/0

### 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 Company's website and the Stock Exchange's website. As at the date of this annual report, the Nomination Committee comprises four members, namely Mr. Wang Cheung Yue, Dr. Chan Wing Mui Helen, Mr. Chiu King Yan and Mr. Cao Jianguo (曹建國先生). The Chairman of the Nomination Committee is Mr. Wang Cheung Yue, the Independent Non-executive Director of the Company.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board, reviewing the policy 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.

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Nomination Committee (Continued)

The Nomination Committee met once during the year ended 31 December 2020 to review the structure, size and composition of the Board, assess the independence of Independent Non-executive Directors and make recommendations to the Board on the appointment and re-election of Directors. The attendance of each member is set out below:

Name of Members	Number of Meetings Attended/Held
Mr. Tsui Kun Lam Ivan <i>(resigned as the Chairman of Nomination Committee on 12 May 2020)</i>	0/0
Mr. Cao Jianguo (曹建國先生)	1/1
Mr. Chang Tat Joel <i>(resigned as a member of Nomination Committee on 2 June 2020)</i>	0/0
Mr. Ho Gilbert Chi Hang <i>(resigned as a member of Nomination Committee on 1 September 2020)</i>	1/1
Mr. Wang Cheung Yue <i>(appointed as the Chairman of Nomination Committee on 12 May 2020)</i>	1/1
Dr. Chan Wing Mui Helen <i>(appointed as a member of Nomination Committee on 2 June 2020)</i>	1/1
Mr. Chiu King Yan <i>(appointed as a member of Nomination Committee on 1 September 2020)</i>	0/0

The Board has adopted a board diversity policy (the “Board Diversity Policy”) in accordance with the requirements of the Listing Rules with which sets out the approach to achieve diversity on the Board. In considering and reviewing board composition, both the Nomination Committee and the Board will consider the benefits of all aspects of diversity, including age, gender, skills, knowledge, cultural, experience, expertise, professional and educational qualifications, background and other personal qualities of the directors. While the ultimate decision of all Board appointments would be based on meritocracy and the contributions that the Director candidate is expected to bring, considerable weight would be given to ensuring a diverse Board with balanced composition. The Board Diversity Policy will be reviewed periodically to ensure it remains relevant to the Company’s needs and reflects both regulatory requirements and good corporate governance practices. For the year ended 31 December 2020, the Company has solid slate of members of the Board with an appropriate mix of skills, experience, varied educational background and professional qualifications.

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### 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 Company's website and the Stock Exchange's website. 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, the Independent Non-executive Director of the Company. All members of the Audit Committee are the Independent Non-executive Directors of the Company. 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 twice during the year ended 31 December 2020. The attendance of each member is set out below:

<b>Name of Members</b>	<b>Number of Meetings Attended/Held</b>
Mr. Chang Tat Joel <i>(resigned as the Chairman of Audit Committee on 2 June 2020)</i>	1/1
Mr. Ho Gilbert Chi Hang <i>(appointed as the Chairman of Audit Committee on 2 June 2020 and resigned as the Chairman of Audit Committee on 1 September 2020)</i>	2/2
Mr. Tsui Kun Lam Ivan <i>(resigned as a member of Audit Committee on 12 May 2020)</i>	1/1
Mr. Chiu King Yan <i>(appointed as the Chairman of Audit Committee on 1 September 2020)</i>	0/0
Dr. Chan Wing Mui Helen <i>(appointed as a member of Audit Committee on 2 June 2020)</i>	1/1
Mr. Wang Cheung Yue <i>(appointed as a member of Audit Committee on 12 May 2020)</i>	1/1

# 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 2019 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 2020 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; and
- Reviewed the effectiveness of the Company's internal audit function.

### Credit Committee

The Credit Committee was established with written terms of reference which are available for view on the Company's website and the Stock Exchange's website. 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 of the Company.

The Credit Committee is mainly responsible for reviewing the sales and credit information of the Group and overseeing the Group's financial reporting system, risk management and internal control procedures.



# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Credit Committee (Continued)

The Credit Committee met once during the year ended 31 December 2020 to review sales transactions and credit policy of the Group's Metal Trading Business, and the Group's credit control system. The attendance of each member is set out below:

Name of Members	Number of Meetings Attended/Held
Mr. Feng Luming (馮櫓銘先生)	1/1
Dr. Jin Xiaozheng (金曉錚博士)	1/1

## 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 2020. As at 31 December 2020, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

## CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing 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.



# 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 2020 is set out in the "Independent Auditor's Report" on pages 69 to 71 of this annual report.

For the year ended 31 December 2020, the remuneration paid or payable to ZHONGHUI ANDA for the provision of audit and non-audit services were HK\$650,000 and HK\$144,000 respectively. Non-audit services include the review of the Company's interim financial report for the six months ended 30 June 2020 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

### 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

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

### Control activities

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

### Information and communication

- obtains or generates and uses relevant 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 2020 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)

### Information and communication (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 2020, 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 C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control during the year ended 31 December 2020.

# Corporate Governance Report

## HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

## COMPANY SECRETARY

Mr. Pang Ka Fai Angus was the Company Secretary of the Company from 2 December 2019 to 19 October 2020. Mr. Pang has taken no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2020.

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 (formerly known as SW Corporate Services Group 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 2020.

## SHAREHOLDERS' RIGHTS

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

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

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (Continued)

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

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

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

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

## INVESTOR RELATIONS

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

During the year ended 31 December 2020, there were no changes in the Company's constitutional documents.

## 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.

# Environmental, Social and Governance Report

## INTRODUCTION

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

This Environmental, Social and Governance Report (the “ESG Report”) summarises the environmental, social and governance (“ESG”) initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development. The reporting principles of materiality, quantitative and consistency underpin the content of the ESG Report.

## THE ESG GOVERNANCE STRUCTURE

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

## SCOPE OF REPORTING

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

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

## 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.

The Group’s corporate governance practices are set out under the section headed “Corporate Governance Report” on pages 31 to 44 of this annual report.

# Environmental, Social and Governance Report

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2020 ("FY2020").

## STAKEHOLDER ENGAGEMENT

Opinions and feedback from the Group's stakeholders regarding its businesses and ESG aspects are greatly valued by the Group, as their expectations and concerns steer the Group towards sustainability, allowing the Group to formulate business and ESG strategies accordingly and appropriately. Throughout FY2020, the Group has maintained close communication with key stakeholders, including but not limited to shareholders and investors, employees, suppliers, customers, government authorities, media and the public, by utilising a variety of engagement methods, shown as below.

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

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

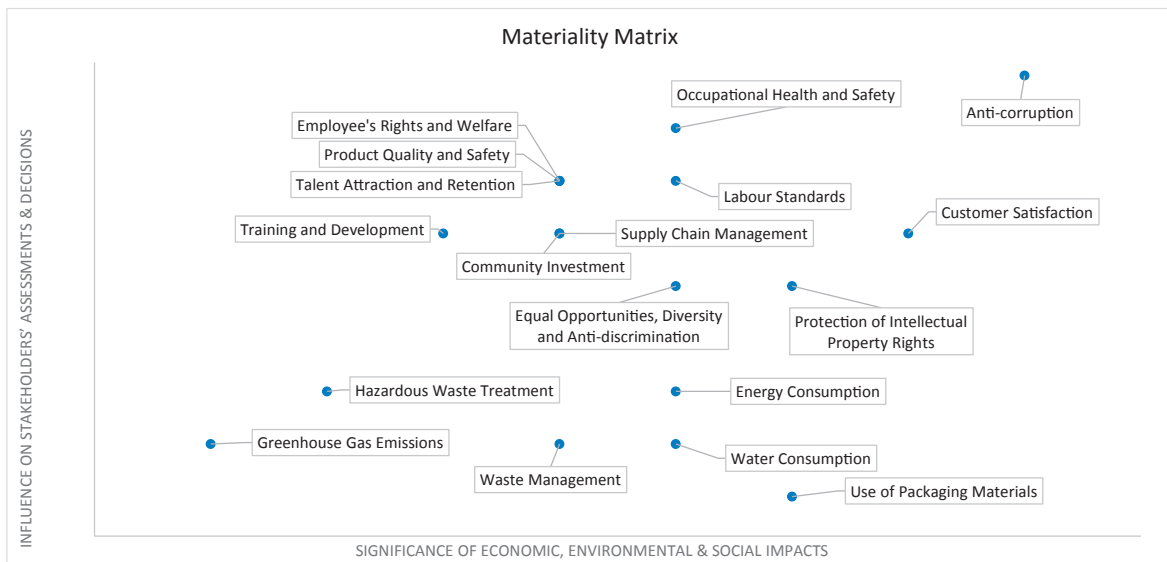


# Environmental, Social and Governance Report

## MATERIALITY ASSESSMENT

In preparing the ESG Report, the management and staff of the Group's respective major operations have assisted the Group in reviewing its operations, identifying relevant ESG issues and assessing the importance of related matters to its businesses and stakeholders. The Group also compiled a questionnaire in relation to the identified material ESG issues to collect the information from the stakeholders of the Group.

Feedback from the relevant stakeholders has been considered in determining the Group's material ESG aspects to be covered in the ESG Report. The Group's materiality matrix for FY2020 is described in the following figure:



In FY2020, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.



# Environmental, Social and Governance Report

## CONTACT US

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

## A. ENVIRONMENTAL

### A1. Emissions

#### General Disclosure and KPIs

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

During FY2020, the Group was not aware of any material non-compliance with laws and regulations, including but not limited to Environmental Protection Law of the PRC, Prevention and Control of Atmospheric Pollution of the PRC, Water Pollution Prevention and Control Law of the PRC, and Prevention and Control of Environmental Pollution by Solid Waste of the PRC, in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

#### Air Emissions

The Group strives to reduce exhaust gas and GHG emissions from its operations and ensure compliance with statutory emission standards. The Group's primary sources of emissions include vehicle emissions and industrial production emissions.

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

To reduce industrial production emissions, the Group has installed an exhaust gas ventilation system in the production area. To monitor and assess the impact on air quality, the Group has engaged an independent organisation to conduct an annual inspection on the level of industrial exhaust gases during FY2020. The results showed that the Group has complied with the prescribed level of air emissions stated in the Discharge Limits of Air Pollutants of Guangdong Province (廣東省地方標準大氣污染物排放限值).

Summary of exhaust gas emissions performances:

Type of exhaust gas	Unit	2020	2019
Nitrogen oxides (NOx)	kg	38	46
Sulphur oxides (SOx)	kg	0.10	0.14
Particulate matter (PM)	kg	3.64	4.36

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

##### GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of petrol for transportation (Scope 1) and energy indirect GHG emissions from purchased electricity (Scope 2).

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

The Group has adopted a series of measures to mitigate direct GHG emissions from petrol consumption from the vehicles in its operations:

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

##### *Scope 2 – Energy indirect GHG Emissions*

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

Total GHG emissions increased by approximately 6.11% from approximately 520.61 tCO<sub>2</sub>e in FY2019 to approximately 552.44 tCO<sub>2</sub>e in FY2020, this was mainly due to an increase in electricity usage. The reason will be described in the section headed "Use of Resources – Energy Consumption". The Group will continue to actively promote environmentally friendly measures to help reduce GHG emissions.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

#### GHG Emissions (Continued)

Summary of GHG emissions performances:

Indicator <sup>1</sup>	Unit	2020	2019
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	18.03	25.76
• Petrol			
Energy indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	534.41	494.85
• Purchased electricity			
Total GHG emissions (Scope 1 and 2)	tCO <sub>2</sub> e	552.44	520.61
Intensity <sup>2</sup>	tCO <sub>2</sub> e/million revenue (HK\$)	7.40	8.98

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, the latest released emission factors of China Southern Power Grid, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
2. For FY2020, the Group recorded a segment revenue of HK\$74,664,000 (FY2019: HK\$57,994,000). The data is also used for calculating other intensity data.

#### Sewage Discharge

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

Regardless, the Group ensured that all waste water discharge was properly disposed of through the municipal sewage network to the regional water purification plant. The data on the discharge of sewage will be documented in the section headed "Use of Resources – Water Consumption". In FY2020, the Group engaged an independent organisation to conduct an annual inspection on the quality of waste water discharge. The results showed that the water quality was satisfactory; particulates discharge level was below the prescribed threshold.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

##### Waste Management

The Group understands that the generation of both hazardous and non-hazardous waste is unavoidable given its business nature. Therefore, the Group is keen on maintaining good waste management practices by following a detailed Waste Disposal Procedure (廢棄物處理程序) that regulates the Group's waste management of both hazardous and non-hazardous wastes. The said policy specifically appoints persons-in-charge, details their expected responsibilities and clearly states the procedures for collection, storage and disposal of wastes. The Group proactively commits to reducing waste by reusing the materials and upon the end of its life cycle, the said materials will be sent to a recycling facility.

##### Non-hazardous Waste Treatment

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

The Group has also introduced a list of waste reduction measures and has put up posters in the vicinity of the factory to remind its employees to reduce wastage, said measures include but are not limited to:

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

Amount of non-hazardous waste disposal increased by approximately 21.84% from approximately 0.174 tonnes in FY2019 to approximately 0.212 tonnes in FY2020, this was mainly due to an increase in paper usage as a result of an increased amount of business transactions.

Summary of major non-hazardous wastes disposal performance:

Category of waste	Unit	2020	2019
Total non-hazardous waste	tonnes	0.212	0.174
• Office paper			
Intensity	tonnes/million revenue (HK\$)	0.003	0.003

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A1. Emissions (Continued)

#### General Disclosure and KPIs (Continued)

#### Waste Management (Continued)

##### *Hazardous Waste Treatment*

As the Group's main business involves the production of electronic controller parts, the use of liquid flux, a type of hazardous substance, to remove oxides of the electronic controller parts before soldering, is unavoidable. The Group has therefore established Hazardous Substance Management Procedure (有害物質管理程序) to govern the procurement, production quality control and handling of hazardous substance.

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

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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources

#### General Disclosure and KPIs

The Group recognises its responsibility to take the initiative in efficiently utilising finite resources. Therefore, the Group is determined to introduce eco-friendly approaches in its operations, particularly focusing on optimising the use of fuel, electricity and water. To govern the use of resources and enhance efficiency, Environmental Operation Control Procedure (環境運行控制程序) and Resources and Energy Control Procedure (資源能源控制程序) are established to provide guidelines on water and electricity management. The said procedures are also regularly revised to ensure that the guidelines continue to be of relevance. All employees are duly notified of the implementation of such guidelines during induction training and when the guidelines are being updated.

#### Energy Consumption

The Group has established relevant policies and initiatives on energy conservation to monitor and maximise its energy efficiency. Electric metres are installed on large electronic equipment and are inspected weekly to closely monitor and detect any abnormal usage; energy usage is detected weekly. The Group would make necessary adjustments to existing energy usage policies upon noting an unusually high reading. Additionally, each department has its electricity usage account to allow the person-in-charge to better understand the energy usage status.

Aside from the posters containing messages to remind employees to reduce waste production, posters with messages to raise employees' awareness of energy efficiency can also be found around the factory. The Group has formulated measures to promote efficient electricity consumption. Such measures include but are limited to:

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

Total energy consumption has increased by approximately 10.89% from approximately 1,006,353.86 kWh in FY2019 to approximately 1,115,949.10 in FY2020. This was mainly due to an increased electricity consumption as a result of the purchase of new large machinery equipment for its daily production in FY2020.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources (Continued)

#### General Disclosure and KPIs (Continued)

#### Energy Consumption (Continued)

Summary of energy consumption performances:

Type of energy	Unit	2020	2019
Direct energy consumption	kWh	65,717.10	93,599.80
• Petrol			
Indirect energy consumption	kWh	1,050,232.00	912,754.06
• Electricity			
Total energy consumption	kWh	1,115,949.10	1,006,353.86
Intensity	kWh/million revenue (HK\$)	14,946.28	17,352.73

#### Water Consumption

Water is mainly used for the daily needs of employees, and the sanitation and cleaning of the factory and its equipments. The Group wishes to drive its employees behavioural change towards sustainability and nurture them to adopt the habit of water conservation.

The Group makes a conscious effort to reduce water consumption by introducing water conservation measures, such as utilising recycled water to clean vehicles and factory floors and installing aerators in water faucets. With the implementation of these measures, the Group has observed an increase in employees' awareness of water conservation.

Total water consumption decreased by approximately 9.59% from approximately 11,139.87 m<sup>3</sup> in FY2019 to approximately 10,071.00 m<sup>3</sup> in FY2020, this was mainly due to the temporary suspension of the factory operation in FY2020 following the government restrictions set out to combat the spread of novel coronavirus ("COVID-19").

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

Summary of water consumption performance:

Indicator	Unit	2020	2019
Total water consumption	m <sup>3</sup>	10,071.00	11,139.87
Intensity	m <sup>3</sup> /million revenue (HK\$)	134.88	192.09

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (Continued)

### A2. Use of Resources (Continued)

#### General Disclosure and KPIs (Continued)

##### *Use of Packaging Materials*

Due to business nature, the Group considers that the use of packaging materials as insignificant.

Regardless, the Group has established Packaging Materials Recycling Management Regulations (包材回收管理規定) to regulate its recycling procedure, engagement with recyclers, incentives, etc. During business operations, the Group consumes brown carton boxes to hold delicate electronic panels upon completion; the usage of such packaging is seen as the norm of the industry. In order to optimise the usage of packaging materials, drivers are reminded by the Group's employees to handle the carton boxes with care during delivery, so that the boxes can be reused multiple times to prolong their life cycle.

### A3. The Environment and Natural Resources

#### General Disclosure and KPIs

As an ongoing commitment to good corporate social responsibility, the Group realises its responsibility in minimising any negative environmental impacts in its business operations. The Group regularly assesses the environmental risks of its business and adopts preventive measures to reduce the risks and ensures compliance with relevant laws and regulations.

##### *Noise Control*

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

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

In FY2020, an on-site inspection was conducted by an independent organisation, results showed that the noise level 1 metre away from the factory was below the prescribed threshold.

##### *Managing over environmental impact*

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



# Environmental, Social and Governance Report

## B. SOCIAL

### B1. Employment

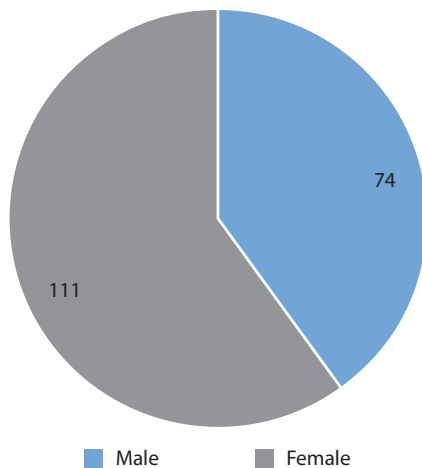
#### General Disclosure

Human resources are the cornerstone of the Group. The Group recognises that its continued success is dependent on employees' talents and their dedication. Employment policies are formally documented in the Staff Handbook, covering areas about recruitment, compensations, remuneration, diversity and equal opportunities, etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against service providers within the same industry. As at 31 December 2020, the Group had 185 full-time employees in the reported segment, all were located in the PRC.

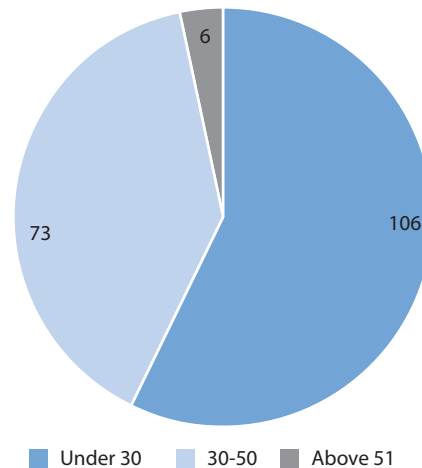
During FY2020, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including but not limited to Labour Law of the PRC, Labour Contract Law of the PRC and Regulation on Work-Related Injury Insurances of the PRC.

Breakdown by gender and age group are as follows:

**Employee by Gender**



**Employee by Age Group**



# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1. Employment (Continued)

#### General Disclosure (Continued)

##### *Talent Attraction and Retention*

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

The Group assesses the performance of its employees on an annual basis, the results of which are used for their annual salary review and performance appraisal. To show appreciation to the Group's employees and to provide better career prospects, the Group prioritises internal promotion over external recruitment. Such practices not only reduce administrative and time costs on recruitment but also encourage staff retention.

##### *Employees' Rights and Welfare*

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

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

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

##### *Compensation and Dismissal*

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

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

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B1. Employment (Continued)

#### General Disclosure (Continued)

##### *Working Hours and Rest Periods*

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

### B2. Health and Safety

#### General Disclosure

The Group highly values employees' health and safety and is always committed to maintaining a safe and pleasant working environment for all its employees. Should an employee sustain personal injury arising out of the course of employment, an Incident Investigation Report (安全事故調查處理報告) will be filed and studied to ensure that the incident does not become recurrent.

During FY2020, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards, including but not limited to Labour Law of the PRC, Law of the PRC on the Prevention and Treatment of Occupational Diseases and Fire Protection Law of the PRC.

##### *Occupational Health and Safety*

To safeguard its employees and to prevent any potential accidents or hazards from arising, regular safety inspections are conducted to ensure the health and safety of employees during its operation. The related policies are detailed in the Staff Handbook for its employees' easy reference. In preparation for any potential fire hazards, fire extinguishers are placed in visible areas with fire escape routes clearly shown throughout the factory. To further avoid fire hazards, no smoking is allowed within the factory, fire exits and major passageways are kept clear from obstruction. The department heads are responsible for ensuring that the factory is safe from potential health and safety malpractices. Additionally, the Group provides its employees with clean, ventilated dormitory rooms with proper sanitary facilities and proper workwear.

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

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

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B2. Health and Safety (Continued)

#### General Disclosure (Continued)

##### *Safety Training and Inspections*

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

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

##### *Preventative Measures on COVID-19*

In view of the outbreak of COVID-19, the Group has taken measures to safeguard its employees, internal safety of the Group and business continuity. In response to the public health measures of the PRC government, the Group has promptly set up a crisis management team in the factory to coordinate and arrange for the provision of services to maintain normal operations. In addition to the blockade period in the PRC, the Group has enhanced the environmental hygiene in its working areas upon resumption of operations to ensure a healthy and safe working environment, such as providing adequate protective gears and surgical masks to its employees and conducting stringent temperature checks on its employees and suppliers before allowing entrance to the premises. The Group has also issued guidelines to its staff to advise on measures to respond to COVID-19 outbreaks among its staff and relevant family members.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B3. Development and Training

#### General Disclosure

##### *Training and Development*

Success is largely dependent on the skills, ability and dedication of its employees. Therefore, the Group takes a proactive approach to provide different external and internal training opportunities to increase the competitiveness of its employees and improve or refresh their knowledge.

The Group has established Training Management System (培訓管理制度) which sets out the organisational aims and objectives of the provision of training activities and provides guidance for allocating department resources. External training sessions are provided to eligible employees upon recommendation from their direct supervisor and application from employees. Internally, the Group provides its employees with workshops that are related to their daily operations. Employees may receive on-the-job training relevant to their specific job positions; new employees are required to receive induction training soon after joining the Group. Apart from the above-mentioned occupational health and safety training, training activities include familiarising its employees with departmental code of conduct, operational procedures and work instructions. Training contents are regularly updated to be in line with the industrial standard and to ensure they continue to be of relevance to the daily operation of the Group.

### B4. Labour Standards

#### General Disclosure

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

The Group strictly complies with local laws and regulations during its recruitment process and stands firmly against any form of child and forced labour. The Group's recruitment procedures dictate that the Group will not employ children until they reach the legal age to work as defined by the relevant laws and regulations. Personal data such as identification cards will be verified to ascertain the identity of the interviewee during the recruitment process. Should violation occur, it will be dealt with as soon as practicable. The Group believes that no employee should be compelled to work against his or her will through force or intimidation of any form or be subjected to corporal punishment or coercion of any type related to work.

During FY2020, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to Labour Law of the PRC, Labour Contract Law of the PRC and Employment Promotion Law of the PRC.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B5. Supply Chain Management

#### General Disclosure

The Group highly values its relationship with suppliers and subcontractors and regards them as important business partners. The Group has formulated Procurement and Supplier Control Procedure (採購和供方控制程序) which details the rundown of the complete procurement and procedures of suppliers' engagement.

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

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

Upon approaching a potential supplier, the Group will verify suppliers' company background, operating licence and other identification documents before the engagement. This avoids potentially engaging with companies that operate illegally or provide environmentally damaging raw materials to the Group which may jeopardise the quality of its final product and reputation.

### B6. Product Responsibility

#### General Disclosure

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

During FY2020, the Group was not aware of any material non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to Protection of Consumer Rights and Interests of the PRC, Advertising Law of the PRC, and Patent Law of the PRC. During FY2020, the Group did not receive any cases of product or service-related complaints, nor was it subjected to any product recalls.

# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B6. Product Responsibility (Continued)

#### General Disclosure (Continued)

##### *Product Quality and Safety*

In recognition of the Group's good product quality, the Group has repeatedly received ISO 9001 accreditation. Production and Service Provision Control Management Procedure (生產與服務提供控制管理程序), established and developed in accordance with the standard and requirement of ISO 9001, oversees the production quality and quality control.

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

##### *Customer Data Privacy Protection*

The Group endeavours to protect the legitimate rights and interests of its customers. Unauthorised access and dissemination of customers' sensitive information is strictly prohibited unless employees are under the legal obligation to do so. Only authorised personnel are permitted to access the clients' information database and they are entitled to access the information on a need-to-know basis.

##### *Customer Satisfaction*

The Group endeavours to provide excellent customer satisfaction and therefore welcomes any feedback from its customers. Robust procedures for handling feedback have been set up. Feedback is recorded in detail and appropriate follow-up actions are taken. Should the feedback bear significant weight to the improvement of the Group, the feedback will be considered as a case study to prevent re-occurrence.

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

Protection of IP rights remains a critical element in retaining the Group's competitiveness in the industry, as the Group continuously engages in research and development on printed circuit boards. Research and Development Control Procedure (設計開發控制程序) is set out to safeguard and protect the Group's interests and has detailed a list of relevant procedures. Upon employment, all employees are required to sign a confidentiality agreement before participating in any part of the production chain to avoid unwanted disclosure. Unrelated personnel is prohibited from accessing any data pertaining to the research outcome.

##### *Advertising and Labelling*

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



# Environmental, Social and Governance Report

## B. SOCIAL (Continued)

### B7. Anti-corruption

#### General Disclosure

During FY2020, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to Anti-Unfair Competition Law of the PRC and Criminal Law of the PRC. During FY2020, there were no concluded legal cases regarding any forms of fraud brought against the Group or its employees.

#### *Anti-corruption*

Solid corporate governance and risk management are essential to the Group's sustainable growth and continued success. The Group strives to continuously improve its corporate rules and regulations and ensure strict compliance with local laws and regulations. The Group values and upholds integrity, honesty and fairness in how the Group conducts business and asserts its zero-tolerance stance regarding any behaviour in any form that not only violates local laws and regulations but also severely damages the Group's reputation.

In addition, employees are required to abide by the guideline headed "Professional Ethics" set out in the Staff Handbook during its daily operations. All employees are prohibited from accepting any advantages. Failure to do so might lead to disciplinary action, including termination of appointment.

#### *Whistle-blowing Mechanism*

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

### B8. Community Investment

#### General Disclosure

#### *Community Investment*

The Group is committed to driving positive change in the communities where it operates and fostering a sense of social responsibility within the Group's structure. Relevant guidelines on community investment have been established and stated in the Staff Handbook to nurture the corporate culture and encourage its employees to engage with the members of the public through social participation and contribution. The Group will continue to look into engaging in more community events in the coming years.



# Environmental, Social and Governance Report

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

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

# Environmental, Social and Governance Report

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

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

# Environmental, Social and Governance Report

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Employment
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities	Health and Safety
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	Health and Safety
KPI B2.3 (Recommended Disclosures)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training

# Environmental, Social and Governance Report

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 (Recommended Disclosures)	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2 (Recommended Disclosures)	Description of steps taken to eliminate such practices when discovered.	Labour Standards
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	Product Responsibility

# Environmental, Social and Governance Report

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 (Recommended Disclosures)	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.	Anti-corruption
KPI B7.2 (Recommended Disclosures)	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

# Independent Auditor's Report



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

## OPINION

We have audited the consolidated financial statements of Hailiang International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 72 to 130, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

# Independent Auditor's Report

## PROPERTIES FOR SALE UNDER DEVELOPMENT

### *Refer to Note 19 to the consolidated financial statements*

The Group tested the amount of properties for sale under development for impairment. This impairment test is significant to our audit because the balance of properties for sale under development of approximately HK\$224,720,000 as at 31 December 2020 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Fong Tak Ching**

*Audit Engagement Director*

*Practising Certificate Number P06353*

Hong Kong, 26 March 2021



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	6	<b>419,312</b>	476,042
Cost of sales		<b>(411,963)</b>	(468,594)
Gross profit		<b>7,349</b>	7,448
Other income	7	<b>2,496</b>	2,453
Other net loss	7	<b>(521)</b>	(438)
Selling and distribution expenses		<b>(1,588)</b>	(1,332)
Administrative expenses		<b>(17,280)</b>	(20,534)
<b>Loss from operations</b>		<b>(9,544)</b>	(12,403)
Finance costs	8	<b>(25)</b>	(36)
<b>Loss before taxation</b>	10	<b>(9,569)</b>	(12,439)
Income tax credit	9	<b>45</b>	1,206
<b>Loss for the year</b>		<b>(9,524)</b>	(11,233)
<b>Attributable to:</b>			
Owners of the Company		<b>(9,808)</b>	(10,825)
Non-controlling interests		<b>284</b>	(408)
<b>Loss for the year</b>		<b>(9,524)</b>	(11,233)
<b>Loss per share</b>	14		
Basic (HK cent(s) per share)		<b>(0.54)</b>	(0.60)
Diluted (HK cent(s) per share)		<b>(0.54)</b>	(0.60)

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 2020

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(9,524)</b>	(11,233)
<b>Other comprehensive income/(expenses) for the year, net of tax:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change on financial assets at fair value through other comprehensive income	<b>15,514</b>	17,943
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>20,906</b>	(2,536)
<b>Other comprehensive income for the year</b>	<b>36,420</b>	15,407
<b>Total comprehensive income for the year</b>	<b>26,896</b>	4,174
<b>Attributable to:</b>		
Owners of the Company	<b>25,919</b>	4,792
Non-controlling interests	<b>977</b>	(618)
<b>Total comprehensive income for the year</b>	<b>26,896</b>	4,174

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

# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	32,742	32,205
Financial assets at fair value through other comprehensive income	16	89,783	74,269
Deferred tax assets	17(b)	12,221	11,169
		<b>134,746</b>	<b>117,643</b>
<b>Current assets</b>			
Inventories	18	13,944	9,728
Properties for sale under development	19	224,720	202,406
Trade and bill receivables	20(a)	25,594	20,786
Prepayments, deposits and other receivables	20(b)	3,928	5,130
Due from a non-controlling shareholder of a subsidiary	22	1,116	1,052
Current tax assets	17(a)	–	699
Bank and cash balances		110,031	125,380
		<b>379,333</b>	<b>365,181</b>
<b>Current liabilities</b>			
Trade payables	21	27,160	24,825
Accruals, other payables and deposits received		9,162	7,128
Current tax liabilities	17(a)	–	10
		<b>36,322</b>	<b>31,963</b>
<b>Net current assets</b>		<b>343,011</b>	<b>333,218</b>
<b>NET ASSETS</b>		<b>477,757</b>	<b>450,861</b>

# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Capital and reserves</b>			
Share capital	23	18,159	18,159
Reserves	24	447,560	421,641
Equity attributable to owners of the Company		465,719	439,800
Non-controlling interests		12,038	11,061
<b>TOTAL EQUITY</b>		<b>477,757</b>	<b>450,861</b>

The consolidated financial statements on pages 72 to 130 are approved and authorised for issue by the Board of Directors on 26 March 2021 and are signed on its behalf by:

**Chiu King Yan**  
Director

**Wang Cheung Yue**  
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 2020

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Financial assets revaluation reserve HK\$'000	Statutory reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2019	18,159	563,419	(57,241)	89	(10,187)	(79,231)	435,008	11,679	446,687
Total comprehensive income/ (expenses) for the year	-	-	17,943	-	(2,326)	(10,825)	4,792	(618)	4,174
At 31 December 2019	18,159	563,419	(39,298)	89	(12,513)	(90,056)	439,800	11,061	450,861
At 1 January 2020	18,159	563,419	(39,298)	89	(12,513)	(90,056)	439,800	11,061	450,861
Total comprehensive income/ (expenses) for the year	-	-	15,514	-	20,213	(9,808)	25,919	977	26,896
At 31 December 2020	18,159	563,419	(23,784)	89	7,700	(99,864)	465,719	12,038	477,757

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(9,569)	(12,439)
Adjustments for:			
Depreciation	10	1,634	1,661
Bank interest income	7	(20)	(128)
Foreign exchange loss		153	324
Finance costs	8	25	36
(Gain)/loss on disposals of property, plant and equipment	7	(10)	84
Loss on disposal of a subsidiary		-	1
Write-down of inventories	10	1,788	1,270
Operating cash flows before working capital changes		(5,999)	(9,191)
Change in inventories		(6,323)	(3,009)
Change in properties for sale under development		(2,917)	(973)
Change in trade and bill receivables		(5,035)	5,120
Change in prepayments, deposits and other receivables		1,202	418
Change in trade payables		2,335	1,920
Change in accruals, other payables and deposits received		2,034	(2,444)
Cash used in operations		(14,703)	(8,159)
Hong Kong profits tax refunded		719	-
Overseas tax refunded/(paid)		16	(7)
<b>Net cash used in operating activities</b>		<b>(13,968)</b>	<b>(8,166)</b>
<b>Cash flows from investing activities</b>			
Bank interest received		20	128
Proceeds from disposals of property, plant and equipment		12	124
Purchase of property, plant and equipment		(1,848)	(185)
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,816)</b>	<b>67</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank loans		1,807	3,376
Repayment of bank loans		(1,942)	(3,371)
<b>Net cash (used in)/generated from financing activities</b>		<b>(135)</b>	<b>5</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,919)</b>	(8,094)
Cash and cash equivalents at beginning of year	<b>125,380</b>	134,021
Effect of change in foreign exchange rate	<b>570</b>	(547)
<b>Cash and cash equivalents at end of year</b>	<b>110,031</b>	125,380
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>110,031</b>	125,380

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1. GENERAL INFORMATION

Hailiang International Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s head office and principal place of business in Hong Kong is at Office 18, 6th Floor, World-wide House, No. 19 Des Voeux Road Central, Hong Kong. The Company’s shares (the “Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries (together with the Company, collectively referred to as the “Group”) are principally engaged in the (i) sale of metals; (ii) development and provision of electronic turnkey device solutions; and (iii) property development. The principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

In the opinion of the directors of the Company (the “Directors”), as at the date of issue of these consolidated financial statements, 海亮集團有限公司 (literally translated as Hailiang Group Co., 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 standard or interpretation that is not yet effective for the current accounting year. The Directors anticipated that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020

## 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.

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

### Property, plant and equipment

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

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

Land and buildings	2.0%
Machinery	9.6%
Computer & office equipment	9.6% - 20%
Motor vehicles	9.6% - 12.5%
Leasehold improvement	20% or over the unexpired terms of the lease, if less than 5 years

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

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

### Leases

*The Group as lessee:*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

*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.

### 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 2020

## 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 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 2020

## 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 2020

## 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 2020

## 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 2020

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs (Continued)

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

### Government grants

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

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

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

### Foreign currency translation

#### (a) *Functional and presentation currency*

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

#### (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 2020

## 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 2020

## 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 2020

## 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 2020

## 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 2020

## 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 2020

## 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.

	2020		2019	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
AUD	225,728	–	199,634	–
US\$	90,819	–	91,267	–
HK\$	–	(14,838)	–	(12,876)
RMB	377	(828)	355	(780)
SGD	12,745	–	12,564	–

#### *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 2020

## 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.

	2020				2019			
	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%	-	-	11,286	5%	-	-	9,768
	(5%)	-	-	(11,286)	(5%)	-	-	(9,768)
HK\$	5%	-	-	(742)	5%	-	-	(644)
	(5%)	-	-	742	(5%)	-	-	644
SGD	5%	(637)	(637)	-	5%	(628)	(628)	-
	(5%)	637	637	-	(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 16). Therefore, the Group is exposed to equity security price risk.

At 31 December 2020, 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\$4,489,000 (2019: HK\$3,713,000) 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 2020

## 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 2020 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 2020

## 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 2020</b>					
Trade payables	27,160	-	-	27,160	27,160
Accruals and other payables	8,903	-	-	8,903	8,903
	<b>36,063</b>	<b>-</b>	<b>-</b>	<b>36,063</b>	<b>36,063</b>
<b>At 31 December 2019</b>					
Trade payables	24,825	-	-	24,825	24,825
Accruals and other payables	6,781	-	-	6,781	6,781
	<b>31,606</b>	<b>-</b>	<b>-</b>	<b>31,606</b>	<b>31,606</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Interest rate risk

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

### (f) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost (including cash and cash equivalents)	137,550	147,891
Financial assets at fair value through other comprehensive income		
– Equity investment	89,783	74,269
	<b>227,333</b>	222,160
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	36,063	31,606

### (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 2020 and 2019.

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 2020

## 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 2020</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	<b>89,783</b>	–	–	<b>89,783</b>
<b>At 31 December 2019</b>				
Financial assets at fair value through other comprehensive income:				
– Listed securities in Singapore	74,269	–	–	74,269

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 2020

## 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 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:

	2020 HK\$'000	2019 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or services		
– Sale of metals	344,648	418,048
– Development and provision of electronic turnkey device solutions	74,664	57,994
	<b>419,312</b>	476,042
Disaggregated by geographical location of customers		
– Hong Kong	344,648	418,048
– The People's Republic of China (the "PRC") except Hong Kong	72,534	57,844
– Other countries	2,130	150
	<b>419,312</b>	476,042

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

	2020 HK\$'000	2019 HK\$'000
Sale of metals		
Customer A	267,314	418,048
Customer B	77,334	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	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	344,648	418,048	74,664	57,994	-	-	419,312	476,042
<b>Revenue from external customers</b>	<b>344,648</b>	<b>418,048</b>	<b>74,664</b>	<b>57,994</b>	<b>-</b>	<b>-</b>	<b>419,312</b>	<b>476,042</b>
<b>Segment (loss)/profit before finance costs and income tax credit</b>	<b>(330)</b>	<b>935</b>	<b>650</b>	<b>(782)</b>	<b>(1,744)</b>	<b>(2,093)</b>	<b>(1,424)</b>	<b>(1,940)</b>
Bank interest income	2	103	15	8	-	6	17	117
Interest expenses	-	-	(25)	(36)	-	-	(25)	(36)
Depreciation	-	-	(937)	(927)	(5)	(25)	(942)	(952)
Write-down of inventories	-	-	(1,788)	(1,270)	-	-	(1,788)	(1,270)
Capital expenditures	-	-	1,847	185	-	-	1,847	185
<b>Segment assets</b>	<b>106,465</b>	<b>115,262</b>	<b>50,291</b>	<b>45,042</b>	<b>237,526</b>	<b>214,305</b>	<b>394,282</b>	<b>374,609</b>
<b>Segment liabilities</b>	<b>103</b>	<b>104</b>	<b>29,665</b>	<b>26,248</b>	<b>5,933</b>	<b>4,816</b>	<b>35,701</b>	<b>31,168</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. REVENUE AND SEGMENT REPORTING (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit or loss</b>		
Total loss of reportable segments	(1,424)	(1,940)
Unallocated amounts:		
Unallocated corporate other income and other net (loss)/gain	(41)	112
Unallocated corporate expenses	(8,079)	(10,575)
Finance costs	(25)	(36)
Loss before taxation	<u>(9,569)</u>	<u>(12,439)</u>
<b>Assets</b>		
Total assets of reportable segments	394,282	374,609
Unallocated corporate assets	<u>119,797</u>	<u>108,215</u>
Total assets	<u>514,079</u>	<u>482,824</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	35,701	31,168
Unallocated corporate liabilities	<u>621</u>	<u>795</u>
Total liabilities	<u>36,322</u>	<u>31,963</u>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. REVENUE AND SEGMENT REPORTING (Continued)

### (d) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and financial assets at fair value through other comprehensive income ("specified non-current assets"). The geographical location of customers is based on the location where the sales are taken place, while the geographical location of specified non-current assets is based on the physical location of the assets.

	Revenue from external customers		Specified non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	344,648	418,048	27,000	27,690
The PRC except Hong Kong	72,534	57,844	5,739	4,504
Australia	–	–	3	11
Singapore	–	–	89,783	74,269
Other countries	2,130	150	–	–
	<b>419,312</b>	<b>476,042</b>	<b>122,525</b>	<b>106,474</b>

## 7. OTHER INCOME AND OTHER NET LOSS

	2020 HK\$'000	2019 HK\$'000
<b>Other income</b>		
Bank interest income	20	128
Government grants	521	643
Rental income	1,452	1,435
Sundry income	503	247
	<b>2,496</b>	<b>2,453</b>
	2020 HK\$'000	2019 HK\$'000
<b>Other net loss</b>		
Net foreign exchange loss	(531)	(354)
Gain/(loss) on disposals of property, plant and equipment	10	(84)
	<b>(521)</b>	<b>(438)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 8. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	25	36

## 9. INCOME TAX CREDIT

	2020 HK\$'000	2019 HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	–	6
Over-provision in prior years	(26)	–
	(26)	6
<b>Current tax – Overseas</b>		
Provision for the year	–	19
Over-provision in prior years	(19)	(9)
	(19)	10
<b>Deferred tax (note 17(b))</b>	–	(1,222)
	(45)	(1,206)

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2020 as the Group sustained a loss for taxation purpose during the year. Hong Kong Profits Tax had been provided at 16.5% of the estimated assessable profits for the year ended 31 December 2019, except for one subsidiary of the Group which was a qualifying corporation under the two-tiered Profits Tax rate regime.

No provision for overseas tax has been made for the year ended 31 December 2020 as the Group did not have any assessable profits arising outside Hong Kong during the year. Taxation for overseas subsidiaries for the year ended 31 December 2019 was charged at the appropriate current rates of taxation ruling in the relevant countries.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 9. INCOME TAX CREDIT (Continued)

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Loss before taxation	<b>(9,569)</b>	(12,439)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	<b>(1,579)</b>	(2,052)
Tax effect of expenses that are not deductible	<b>221</b>	302
Tax effect of income that are not taxable	<b>(57)</b>	(24)
Over-provision in prior years	<b>(45)</b>	(9)
Tax effect of tax losses not recognised	<b>2,091</b>	1,069
Tax effect of different tax rates of subsidiaries	<b>(520)</b>	(550)
Others	<b>(156)</b>	58
	<b>(45)</b>	(1,206)

## 10. LOSS BEFORE TAXATION

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Staff costs (including Directors' remuneration)		
Salaries, bonus and allowances	<b>17,772</b>	17,626
Retirement benefits scheme contributions	<b>633</b>	911
	<b>18,405</b>	18,537
Auditor's remuneration	<b>650</b>	640
Cost of inventories sold	<b>410,175</b>	467,324
Depreciation ( <i>note 15</i> )	<b>1,634</b>	1,661
Write-down of inventories	<b>1,788</b>	1,270
Research and development costs (other than amortisation costs)	<b>2,151</b>	2,389
Expenses relating to short-term leases	<b>1,767</b>	1,852
Expenses relating to leases of low-value assets that are not short-term leases	<b>14</b>	14

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 10. LOSS BEFORE TAXATION (Continued)

Cost of inventories sold included staff costs, depreciation and short-term lease expenses totalling approximately HK\$9,450,000 (2019: approximately HK\$8,054,000), while research and development costs included staff costs and depreciation totalling approximately HK\$1,839,000 (2019: approximately HK\$1,925,000), which are included in the amounts disclosed separately above.

### Disclosures of lease-related item

	2020 HK\$'000	2019 HK\$'000
Lease commitments relating to short-term leases	152	145

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

The remunerations of each Director are as follows:

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Cao Jianguo	-	650	-	-	36	686
Feng Luming	-	520	-	-	36	556
Jin Xiaozheng	-	195	-	-	20	215
Chang Tat Joel (note a)	50	-	-	-	-	50
Ho Gilbert Chi Hang (note b)	80	-	-	-	-	80
Tsui Kun Lam Ivan (note c)	43	-	-	-	-	43
Chan Wing Mui Helen	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
Chiu King Yan (note d)	40	-	-	-	-	40
<b>Total for 2020</b>	<b>453</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>1,910</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

The remunerations of each Director are as follows: (Continued)

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Cao Jianguo	-	650	-	-	36	686
Feng Luming	-	520	-	-	36	556
Jin Xiaozheng	-	195	-	-	20	215
Chang Tat Joel (note a)	120	-	-	-	-	120
Ho Gilbert Chi Hang (note b)	120	-	-	-	-	120
Tsui Kun Lam Ivan (note c)	120	-	-	-	-	120
Chan Wing Mui Helen	120	-	-	-	-	120
Wang Cheung Yue	120	-	-	-	-	120
<b>Total for 2019</b>	<b>600</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>92</b>	<b>2,057</b>

Notes:

- (a) Mr. Chang Tat Joel was resigned on 2 June 2020.
- (b) Mr. Ho Gilbert Chi Hang was resigned on 1 September 2020.
- (c) Mr. Tsui Kun Lam Ivan was resigned on 12 May 2020.
- (d) Mr. Chiu King Yan was appointed on 1 September 2020.

The five highest paid individuals in the Group during the year included two (2019: two) Directors whose remunerations are reflected in the analysis presented above. The remunerations of the three (2019: three) individuals are set out below:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Basic salaries and allowances	<b>2,763</b>	3,792
Retirement benefit scheme contributions	<b>195</b>	200
	<b>2,958</b>	3,992

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

The remunerations of the three (2019: three) individuals with the highest remunerations are within the following bands:

	<b>2020</b> <b>Number of</b> <b>individuals</b>	2019 Number of individuals
Nil - HK\$1,000,000	<b>2</b>	1
HK\$1,000,001 - HK\$1,500,000	-	1
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 bonus 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>2020</b> <b>Number of</b> <b>individuals</b>	2019 Number of individuals
Nil - HK\$1,000,000	<b>2</b>	2

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 is currently 9.5% of the ordinary time earnings, subject to a maximum contribution base. No other retirement benefits are provided to the employees.

## 13. DIVIDENDS

The board of directors (the “Board”) does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Loss:</b>		
Loss for the purpose of calculating basic and diluted loss per share attributable to owners of the Company	<b>(9,808)</b>	(10,825)
	<b>2020</b> <b>'000</b>	2019 '000
<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 2020 and 2019 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 2020

## 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 2019	29,132	8,237	1,412	810	1,311	40,902
Additions	-	116	17	-	52	185
Disposals	-	(339)	-	(222)	-	(561)
Disposal of a subsidiary	-	-	(160)	-	-	(160)
Exchange differences	-	(150)	(20)	11	(16)	(175)
At 31 December 2019 and 1 January 2020	29,132	7,864	1,249	599	1,347	40,191
Additions	-	1,797	1	-	50	1,848
Disposals	-	(24)	-	-	-	(24)
Exchange differences	-	577	73	38	55	743
<b>At 31 December 2020</b>	<b>29,132</b>	<b>10,214</b>	<b>1,323</b>	<b>637</b>	<b>1,452</b>	<b>42,758</b>
<b>Accumulated depreciation</b>						
At 1 January 2019	1,093	3,777	839	458	780	6,947
Charge for the year	582	699	125	64	191	1,661
Written back on disposals	-	(246)	-	(107)	-	(353)
Disposal of a subsidiary	-	-	(160)	-	-	(160)
Exchange differences	-	(77)	(11)	(9)	(12)	(109)
At 31 December 2019 and 1 January 2020	1,675	4,153	793	406	959	7,986
Charge for the year	583	707	86	66	192	1,634
Written back on disposals	-	(22)	-	-	-	(22)
Exchange differences	-	290	52	30	46	418
<b>At 31 December 2020</b>	<b>2,258</b>	<b>5,128</b>	<b>931</b>	<b>502</b>	<b>1,197</b>	<b>10,016</b>
<b>Carrying amount</b>						
<b>At 31 December 2020</b>	<b>26,874</b>	<b>5,086</b>	<b>392</b>	<b>135</b>	<b>255</b>	<b>32,742</b>
At 31 December 2019	27,457	3,711	456	193	388	32,205

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Equity securities, at fair value</b>		
Listed in Singapore	<b>89,783</b>	74,269
<b>Analysed as:</b>		
Non-current assets	<b>89,783</b>	74,269

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 2020, the Group held approximately 1.47% (2019: 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 2020

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

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the year	–	10
Provisional Profits Tax paid	–	–
	–	10
Balance of Profits Tax provision relating to prior years	–	(699)
	–	(689)

(b) **Deferred tax assets recognised**

*Movement of each component of deferred tax assets*

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

<b>Deferred tax arising from:</b>	<b>Future benefit of tax losses</b> <i>HK\$'000</i>
At 1 January 2019	10,059
Credited to the consolidated profit or loss ( <i>note 9</i> )	1,222
Exchange differences	(112)
At 31 December 2019 and 1 January 2020	11,169
Exchange differences	1,052
<b>At 31 December 2020</b>	<b>12,221</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### (c) Deferred tax assets not recognised

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$27,798,000 (2019: approximately HK\$23,759,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are losses of approximately HK\$4,285,000 (2019: approximately HK\$5,872,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

## 18. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	6,189	2,226
Work in progress	3,419	2,954
Finished goods	4,336	4,548
	<b>13,944</b>	9,728

## 19. PROPERTIES FOR SALE UNDER DEVELOPMENT

Movements of properties for sale under development are as follows:

	HK\$'000
At 1 January 2019	203,722
Additions	973
Exchange differences	(2,289)
At 31 December 2019 and 1 January 2020	202,406
Additions	2,917
Exchange differences	19,397
<b>At 31 December 2020</b>	<b>224,720</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 19. PROPERTIES FOR SALE UNDER DEVELOPMENT (Continued)

As at 31 December 2020, 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>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Outside Hong Kong – Freehold	<b>203,156</b>	185,674

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

### (a) Trade and bill receivables

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Trade and bill receivables	<b>29,519</b>	24,484
Less: Provision for loss allowance	<b>(3,925)</b>	(3,698)
	<b>25,594</b>	20,786

The Group's trading terms with its customers of the business of development and provision of electronic turnkey device solutions are mainly on credit. The credit terms generally range from 15 to 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
30 days or less	20,296	18,247
31 days to 60 days	4,343	2,460
61 days to 90 days	740	–
91 days to 120 days	174	–
Over 120 days	41	79
	<b>25,594</b>	20,786

The balance of trade and bill receivables included an amount of approximately HK\$2,507,000 (2019: approximately HK\$2,603,000) in relation to bill receivables as at 31 December 2020.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
RMB	25,594	20,786

Movement of loss allowance for trade and bill receivables:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	3,698	5,615
Disposal of a subsidiary	–	(1,847)
Exchange differences	227	(70)
At 31 December	<b>3,925</b>	3,698

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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 2020</b>					
Weighted average expected loss rate	-	-	-	99%	
Receivable amount (HK\$'000)	21,063	4,148	342	3,966	29,519
Loss allowance (HK\$'000)	-	-	-	(3,925)	(3,925)
<b>At 31 December 2019</b>					
Weighted average expected loss rate	-	-	-	98%	
Receivable amount (HK\$'000)	16,989	3,718	-	3,777	24,484
Loss allowance (HK\$'000)	-	-	-	(3,698)	(3,698)

### (b) 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\$426,000 (2019: approximately HK\$11,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 21. TRADE PAYABLES

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
30 days or less	<b>22,844</b>	19,497
31 days to 60 days	<b>2,739</b>	2,696
61 days to 90 days	<b>908</b>	1,154
91 days to 120 days	<b>57</b>	630
Over 120 days	<b>612</b>	848
	<b>27,160</b>	24,825

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
RMB	<b>27,160</b>	24,825

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. SHARE CAPITAL

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

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

	<b>2020</b> <b>HK\$'000</b>	2019 <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

## 24. RESERVES

### (a) The Group

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

### (b) The Company

	<b>Share premium</b> <b>HK\$'000</b>	<b>Accumulated losses</b> <b>HK\$'000</b>	<b>Total</b> <b>HK\$'000</b>
At 1 January 2019	563,419	(149,033)	414,386
Total comprehensive income for the year	–	2,836	2,836
At 31 December 2019	563,419	(146,197)	417,222
At 1 January 2020	563,419	(146,197)	417,222
Total comprehensive income for the year	–	22,819	22,819
<b>At 31 December 2020</b>	<b>563,419</b>	<b>(123,378)</b>	<b>440,041</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 24. 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 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 2020

## 25. SHARE-BASED PAYMENTS

### *Equity-settled share option scheme*

The existing share option scheme of the Company (the “Scheme”) was adopted by the Company at the annual general meeting of the Company held on 28 June 2012. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Scheme include any individual being an employee, officer, agent, consultant or 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 thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

The subscription price for 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 Shares. The exercise period of the share options granted is determinable by the Directors but in any event, not longer than ten years from the date of grant.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of 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 2020

## 25. 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 2020 and 2019 and no share options were outstanding as at 31 December 2020 and 2019.

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

### *Changes in liabilities arising from financing activities*

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

	<b>Bank loans</b> <b>HK\$'000</b>
At 1 January 2019	–
Changes in cash flows	5
Non-cash change	
– interest charged	36
– exchange differences	(41)
At 31 December 2019 and 1 January 2020	–
Changes in cash flows	(135)
Non-cash change	
– interest charged	25
– exchange differences	110
<b>At 31 December 2020</b>	<b>–</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 27. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

## 28. PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have assets under pledge (2019: Nil).

## 29. LEASE COMMITMENTS

*As lessor*

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Within one year	<b>140</b>	127

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Authorised but not contracted for: Capital contribution to a subsidiary	<b>1,660</b>	1,564

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31. 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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Compensation of key management personnel		
Short-term benefits	<b>1,818</b>	1,965
Post-employment benefits	<b>92</b>	92
	<b>1,910</b>	2,057

During the year ended 31 December 2020, the Group purchased raw materials from a non-controlling shareholder of a subsidiary totalling approximately HK\$126,000 (2019: Nil) which constitutes connected transaction under the Listing Rules. However, the transaction is exempt from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

## 32. EVENTS AFTER THE REPORTING PERIOD

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(a) Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2020 were as follows:

Name	Place of incorporation/ registration and business	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Onetech Technology Company Limited	Hong Kong	HK\$100	-	100%	Investment holding
Sable International Limited	Hong Kong	HK\$1	-	100%	Sale of metals
Ample Go Limited	Hong Kong	HK\$1	-	100%	Investment holding
勝沃數碼電子(深圳)有限公司 (literally translated as Sheng Wo Digital Electronics (Shenzhen) Company Limited) ("Sheng Wo Digital")	The PRC	Paid-up capital of HK\$3,000,000	-	100%	Development and provision of electronic turnkey device solutions
佛山聯創華聯電子有限公司 (literally translated as Foshan Lianchuang Hualian Electronics Company Limited) ("Foshan Lianchuang Hualian")	The PRC	Paid-up capital of RMB21,910,000	-	50.21%	Development and provision of electronic turnkey device solutions
佛山中科維拉科技有限公司 (literally translated as Foshan Zhongke Weila Technology Company Limited) ("Foshan Zhongke Weila")	The PRC	Paid-up capital of RMB2,000,000	-	68.00%	Sale of electronic turnkey device products
Hailiang Property Group Australia Pty Ltd	Australia	10,000 ordinary shares of AUD1 each	100%	-	Property development
Hailiang Property Campsie Pty Ltd	Australia	10,000 ordinary shares of AUD1 each	-	100%	Property development

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(a) **Particulars of the Company's subsidiaries which principally affected the results, assets and liabilities of the Group as at 31 December 2020 were as follows: (Continued)**

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

Name Principal place of business/country of incorporation	Foshan Lianchuang Hualian The PRC	
	2020	2019
% 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>7,744</b>	6,345
Current assets	<b>41,186</b>	37,237
Current liabilities	<b>(29,588)</b>	(26,226)
Net assets	<b>19,342</b>	17,356
Carrying amount of NCI	<b>9,630</b>	8,642
<b>Years ended 31 December:</b>		
Revenue	<b>74,377</b>	57,551
Profit/(loss) for the year	<b>874</b>	(856)
Profit/(loss) allocated to NCI	<b>435</b>	(426)
Total comprehensive income/(expenses)	<b>1,985</b>	(1,187)
Total comprehensive income/(expenses) allocated to NCI	<b>989</b>	(591)
Net cash (used in)/generated from operating activities	<b>(61)</b>	2,245
Net cash used in investing activities	<b>(1,826)</b>	(163)
Net (decrease)/increase in cash and cash equivalents	<b>(1,887)</b>	2,082

### (c) Significant restriction

As at 31 December 2020, the bank and cash balances of the Group’s subsidiaries in the PRC denominated in RMB amounted to approximately HK\$1,831,000 (2019: approximately HK\$5,429,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		126	234
Interests in subsidiaries (note a)	33	<u>316,787</u>	<u>284,470</u>
		<b>316,913</b>	284,704
<b>Current assets</b>			
Due from subsidiaries (note b)		140,373	146,641
Prepayments, deposits and other receivables		384	342
Bank and cash balances		<u>1,093</u>	<u>4,435</u>
		<b>141,850</b>	151,418
<b>Current liabilities</b>			
Due to a subsidiary (note b)		6	6
Accruals and other payables		<u>557</u>	<u>735</u>
		<b>563</b>	741
<b>Net current assets</b>		<u>141,287</u>	<u>150,677</u>
<b>NET ASSETS</b>		<u>458,200</u>	<u>435,381</u>
<b>Capital and reserves</b>			
Share capital	23	18,159	18,159
Reserves	24(b)	<u>440,041</u>	<u>417,222</u>
<b>TOTAL EQUITY</b>		<u>458,200</u>	<u>435,381</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Notes:

(a) Interests in subsidiaries

	2020 HK\$'000	2019 HK\$'000
Unlisted investments, at cost	70,963	70,963
Loan to a subsidiary	169,690	155,088
Amount due from a subsidiary	76,134	58,419
	<b>316,787</b>	284,470

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

Loan to a subsidiary is unsecured, interest bearing at approximately 4.50% per annum and repayable in 2021.

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

## 35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 26 March 2021.

# Particulars of Major Properties and Property Interests

As at 31 December 2020

## 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				2020 HK\$'000
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	
<b>RESULTS</b>					
Revenue	200,080	702,432	976,993	476,042	<b>419,312</b>
(Loss)/Profit for the year	(17,678)	7,340	(933)	(11,233)	<b>(9,524)</b>
(Loss)/Profit for the year attributable to:					
Owners of the Company	(15,896)	5,321	(485)	(10,825)	<b>(9,808)</b>
Non-controlling interests	(1,782)	2,019	(448)	(408)	<b>284</b>
	(17,678)	7,340	(933)	(11,233)	<b>(9,524)</b>
<b>As at 31 December</b>					
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	449,016	558,669	479,164	482,824	<b>514,079</b>
Total liabilities	(31,427)	(122,510)	(32,477)	(31,963)	<b>(36,322)</b>
	417,589	436,159	446,687	450,861	<b>477,757</b>
<b>EQUITY</b>					
Equity attributable to owners of the Company	409,856	423,388	435,008	439,800	<b>465,719</b>
Non-controlling interests	7,733	12,771	11,679	11,061	<b>12,038</b>
	417,589	436,159	446,687	450,861	<b>477,757</b>